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NEWS RELEASE

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FOR RELEASE August 24, 2007 12:00 p.m.

Auditor of State David A. Vaudt today released a report on the City of Webster City. The report covers the period January 1, 1997 through December 31, 2006. The review was performed as a result of a request from an elected official to perform a reaudit in accordance with section 11.6(4)(b) of the *Code of Iowa* because of concerns regarding transactions between the City and a consulting firm, The Energy Group.

Vaudt reported the City participates in the "Key Accounts Management program" established by its energy provider, Corn Belt Power Cooperative. The Cooperative reimburses the City for salary and other necessary costs incurred during administration of the program. Prior to October 2006, the City engaged The Energy Group to administer the program for the City. Kelly Needles, Executive Vice-President of The Energy Group, was responsible for the daily operations of the program at the City. Vaudt reported Mr. Needles prepared and submitted reimbursement reports to the Cooperative for the City. The reimbursement reports documented the number of hours Mr. Needles worked on the program. Mr. Needles also prepared and submitted invoices to the City for his work on the program. Based on the reimbursement reports, the Cooperative reimbursed the City \$324,145.62 for the program between July 1, 2001 and September 30, 2006. Vaudt reported the reimbursement reports submitted to the Cooperative by Mr. Needles show he worked 10,398.25 hours on the program. However, the invoices Mr. Needles submitted to the City for the same time period show he worked only 6,083.9 hours on the program. Vaudt reported the additional 4,314.35 hours of service reported to the Cooperative for Mr. Needles' time on the program resulted in the City receiving reimbursements of \$137,464.89 more than the City was eligible for under the program. The City was also reimbursed \$1,500.00 for the purchase of a computer which was not in the City's possession.

The report also includes an additional \$44,367.27 of improper disbursements, \$56,592.21 of unsupported reimbursements and \$37,440.00 for services which were not authorized by the Council.

Copies of the report have been filed with the Hamilton County Attorney's Office and the Attorney General's Office. A copy of the report is available for review in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/specials/specials.htm>.

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**CITY OF WEBSTER CITY
AUDITOR OF STATE'S REPORT**

**FOR THE PERIOD
JANUARY 1, 1997 THROUGH DECEMBER 31, 2006**

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Auditor of State's Report

To the Honorable Mayor and
Members of the City Council:

We received a request from an elected official to perform a reaudit of the City of Webster City in accordance with Chapter 11.6(4)(b) of the *Code of Iowa*. Based on the information available, we determined a partial reaudit and certain additional procedures were necessary in order to address specific concerns brought to our attention. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City for the period January 1, 1997 through December 31, 2006. Based on the information available, we performed the following procedures:

- (1) Reviewed internal controls at the City to determine whether adequate policies and procedures were in place.
- (2) Reviewed invoices and related documentation submitted by The Energy Group to determine if the invoices appeared appropriate and were properly supported.
- (3) Obtained and reviewed Key Accounts Management program reimbursement reports submitted to Corn Belt Power Cooperative to determine if the reports were supported and accurately prepared.
- (4) Recalculated invoices from The Energy Group to determine if they were mathematically accurate.
- (5) Reviewed Webster City and Riverview Day Care Project Files obtained from MIDAS Council of Governments and the City to determine compliance with grant requirements.
- (6) Compared terms of certain construction and professional service contracts to payments made to determine if payments were appropriate and in compliance with terms of the contracts.
- (7) Obtained and reviewed certain City Council minutes and resolutions to determine what was presented to the Council and any actions taken.
- (8) Obtained and reviewed minutes from various Webster City Childcare Coalition meetings to determine what information was presented and any action taken.
- (9) Determined statutory compliance with public bidding requirements.
- (10) Reviewed Request for Proposals for the Project Management of the Webster City and Riverview Day Care projects to determine if the projects were properly bid.
- (11) Reviewed inspection log sheets for the child care projects to determine if they appeared complete and reasonable.

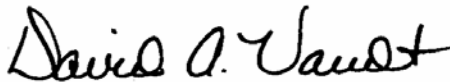
- (12) Interviewed various current and former City personnel to obtain an understanding of certain transactions and the events surrounding the transactions.
- (13) Interviewed Kelly Needles of The Energy Group to obtain an understanding of certain transactions and the events surrounding the transactions.

The procedures identified \$138,964.89 of improper reimbursements, \$56,592.21 of unsupported reimbursements, \$44,367.27 of improper disbursements and \$37,440.00 for services which were not authorized by the Council. The detailed findings and recommendations are presented in the Investigative Summary and **Exhibits A** through **F** of this report.


The procedures described above do not constitute an audit of financial statements conducted in accordance with U.S. generally accepted auditing standards. Had we performed additional procedures, or had we performed an audit of financial statements of the City of Webster City, other matters might have come to our attention that would have been reported to you.

Copies of this report have been filed with the Hamilton County Attorney's Office and the Attorney General's Office.

We would like to acknowledge the assistance and many courtesies extended to us by the officials and personnel of the City of Webster City during the course of our review.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

July 31, 2007

Webster City
Investigative Summary

Background Information

The City of Webster City operates under the Council-Manager form of government. The Council members are elected on a non-partisan basis. The City provides numerous services to citizens, including general government, public safety, public works, health and social services, culture and recreation, and community and economic development services. The City also provides water, sewer and electric services for its citizens.

We received a request from an elected official to perform a reaudit of Webster City in accordance with Chapter 11.6(4)(b) of the *Code of Iowa*. The request included concerns regarding:

- payments to The Energy Group for duties performed related to the Corn Belt Power Cooperative Key Accounts program,
- project management services provided by The Energy Group for construction of the Webster City Day Care and Riverview Day Care and
- other consulting services provided by The Energy Group.

The request also included issues which we reviewed but for which a finding did not result, including the former City Manager's travel claims, the sale of a transformer and the electrical rates charged to specific industrial class electrical users. In addition, the request included concerns regarding the nature of the relationship between the former City Manager and a consultant hired by the City.

According to The Energy Group's website, the vendor "is an independently owned professional services firm specializing in a variety of energy and utility based services. The Energy Group facilitates all types of building renovation and construction efforts and can bring specific expertise in the area of installations of new energy efficient equipment that produces energy savings". The partners of The Energy Group are Les Wilson, President, and Kelly Needles, Executive Vice-President.

From January 1997 through December 2006, the City frequently engaged the services of The Energy Group for various consulting projects including cost-of-service studies for the City's utilities, energy audits, economic development, airport consultation, project management for the construction of child care facilities, management advisory services, and administration of the Key Accounts program established by the City's energy provider. The projects covered the following time periods:

- Rebuild Webster City Project: January 1997 through November 1998.
- Corn Belt Power Cooperative Key Accounts program: April 2000 through October 2006.
- Webster City Day Care and Riverview Day Care: April 2001 through June 2003.
- Other consulting services: January 1997 through December 2006.

Mr. Needles was the primary consultant for each project. According to the former City Manager, Teresa Rotschafer, The Energy Group was also hired to assist with administration of the City's utilities because she did not have a background in that area. During our fieldwork, we examined several City documents and Council minutes which identified Mr. Needles as the City's Utility Advisor. According to City officials and staff, Mr. Needles spent a majority of each work-week on City projects and an office at the City Hall was available for his use.

Payments made by the City to The Energy Group for the period January 1, 1997 through December 31, 2006 are summarized in **Exhibit B. Table 1** summarizes the amounts the City paid to The Energy Group during fiscal years 1997 through 2007 based on monthly billings for services. The services provided by The Energy Group for the Key Accounts program, Child Care Projects, general consulting and Cost-of-Service Studies will be discussed in detail in subsequent sections of this report.

Table 1

Fiscal Year	Key Accounts program	Child Care Projects	General Consulting	Cost-of-Service Studies	Other Services^	Total
1997	\$ -	-	9,850.00	8,700.00	11,021.50	29,571.50
1998	-	-	13,397.50	-	21,574.02	34,971.52
1999	-	-	25,650.00	11,560.00	12,450.00	49,660.00
2000	3,800.00	-	46,450.00	-	2,000.00	52,250.00
2001	42,525.00	7,800.00	12,925.00	-	5,207.80	68,457.80
2002	66,410.75	67,559.25	4,875.00	-	15,827.50	154,672.50
2003	77,090.00	47,209.99	13,325.00	24,700.00	15,177.50	177,502.49
2004	79,706.25	2,702.87	14,495.00	12,740.00	13,617.50	123,261.62
2005	55,441.75	-	-	-	10,908.75	66,350.50
2006	53,248.00	-	-	-	-	53,248.00
2007	8,502.00	-	1,137.50	-	-	9,639.50
Total	\$ 386,723.75	125,272.11	142,105.00	57,700.00	107,784.57	819,585.43

^ - Other Services is composed of consulting services related to economic development, administration of the Rebuild Webster City grant and miscellaneous projects.

We performed the procedures detailed in the Auditor of State's Report for the period January 1, 1997 through December 31, 2006 for certain transactions between the City and The Energy Group.

These procedures identified \$138,964.89 of improper reimbursements, \$56,592.21 of unsupported reimbursements, \$44,367.27 of improper disbursements and \$37,440.00 for services which were not authorized by the Council. The findings are summarized in **Exhibit A** and explained in greater detail in the pages referenced.

Detailed Findings

Key Accounts Management program - Corn Belt Power Cooperative (Corn Belt) is an electric cooperative owned by its member systems. It provides electricity to 11 member distribution electric cooperatives and one municipal electric cooperative that serve farm members, rural residences, small towns and commercial and industrial members in 41 counties in northern Iowa, including the North Iowa Municipal Electrical Cooperative Association (NIMECA), of which Webster City is a member.

A "Key Accounts Management program" was established by Corn Belt to ensure exemplary customer service is provided to and long-term relationships are fostered with top energy users. Typically, top energy users include industries and other large customers. The program is

administered at a local level by individuals employed by members of Corn Belt. According to Mr. Needles, he was instrumental in establishing the program. On June 6, 2000, City officials signed an agreement with Corn Belt to administer the program for customers of the Webster City Utilities.

Services provided by the program include energy system design and audits, lighting design, power quality analysis, thermography services and compressed air audits. Corn Belt provides funding to the City for salary and other necessary costs related to the services provided and the operation of the program. Necessary costs include expenses such as equipment, material, supplies and travel.

As a result of the City's participation in the program, certain City employees spend a portion of their time working with large customers of the Webster City Utilities. Mr. Needles also worked on the program. He administered the program for the City and attended many meetings on behalf of the City. The agreement between the City and Corn Belt requires the City to report all program expenses on monthly reimbursement reports submitted to Corn Belt.

Several concerns regarding Mr. Needles' administration of the program for the City were brought to our attention. Each concern is addressed in the following paragraphs.

- a. **Reimbursements from Corn Belt** – As required by the agreement, monthly reimbursement reports were submitted to Corn Belt for the City. **Appendix 1** includes an example of a monthly reimbursement report. As illustrated by the **Appendix**, the report includes a listing of positions, the number of hours staff worked on the program and a related reimbursement amount.

The amount reimbursed to the City was based on hourly rates established by Corn Belt. The hourly rates were periodically changed by Corn Belt. **Table 2** summarizes the amounts reimbursed to the City based on the reports submitted on behalf of the City. We were able to obtain the reimbursement reports from Corn Belt for July 2001 through September 2006.

The City also received reimbursements prior to July 1, 2001, but we were unable to obtain all of the related reports from the City or Corn Belt. After September 2006, The Energy Group only provided historical information for the Key Accounts program to the City, according to the current City Manager. Reimbursement reports have not been submitted to Corn Belt since the report for September 2006.

Table 2

Report Month	Fiscal Year Ended June 30,						Total
	2002	2003	2004	2005	2006	2007	
July	\$ 4,726.65	5,962.75	6,635.64	5,322.50	4,933.84	3,578.22	31,159.60
Aug.	5,246.00	5,920.75	5,181.60	5,332.63	4,933.84	1,667.52	28,282.34
Sept.	5,438.90	5,975.75	5,181.60	5,337.50	4,461.62	729.54	27,124.91
Oct.	5,162.75	6,070.34	5,175.48	5,315.00	5,164.70	-	26,888.27
Nov.	5,091.96	6,164.93	5,786.22	4,683.25	5,017.12	-	26,743.48
Dec.	4,583.00	6,192.34	5,986.56	4,541.94	4,953.47	-	26,257.31
Jan.	5,776.75	6,054.12	6,665.90	4,755.93	1,910.70	-	25,163.40
Feb.	5,600.75	5,893.38	7,209.71	3,373.00	3,474.00	-	25,550.84
March	5,985.75	6,391.20	5,739.50	4,452.54	2,779.20	-	25,348.19
April	6,025.75	6,178.14	5,293.03	5,498.05	3,821.40	-	26,816.37
May	6,162.75	6,559.74	5,320.63	5,335.48	5,280.48	-	28,659.08
June	6,139.75	6,702.84	5,373.53	5,330.21	2,605.50	-	26,151.83
Total	\$ 65,940.76	74,066.28	69,549.40	59,278.03	49,335.87	5,975.28	324,145.62

According to City personnel we spoke with, Mr. Needles provided the reimbursement reports to the City, which then submitted the reports to Corn Belt. Mr. Needles confirmed he prepared the monthly reimbursement reports. He also stated he did not receive timesheets or other documentation regarding the number of hours worked on the program by City employees. However, he had a good idea of the number of hours to include in the monthly reimbursement reports for the employees, based on his observations. Also according to Mr. Needles, the number of hours reported on the reimbursement reports for "K.A. [Key Accounts] Executives" was the time Mr. Needles himself spent working on the program.

In addition to the monthly reimbursement reports Mr. Needles prepared for Corn Belt, he also prepared monthly invoices to the City from The Energy Group. Prior to June 1, 2004, the invoices from The Energy Group listed the total number of hours worked for each type of service provided, such as economic development, general consulting and the Key Accounts program. However, additional information was not provided. In response to a request from a Council member for additional information, monthly invoices received after June 1, 2004 identified specific projects worked on for each type of service provided. The invoices prepared after June 1, 2004 also often included a notation of the amount the City was to be reimbursed by Corn Belt for the administration of the Key Accounts program. An example of an invoice from The Energy Group to the City prepared after June 1, 2004 is included in **Appendix 2**.

Exhibit C compares the number of hours Mr. Needles included on the reimbursement reports to Corn Belt and the number of hours Mr. Needles billed the City for his work on the Key Accounts program. As illustrated by the **Exhibit**, the City received reimbursement from Corn Belt for 10,398.25 hours of service provided for the Key Accounts program from April 2000 through September 2006. However, the City was billed by The Energy Group for only 6,083.90 hours of service for the program for the same period. The additional 4,314.35 hours of service reported to Corn Belt resulted in the City receiving \$137,464.89 for hours not worked by Mr. Needles on the program. During our interview with Mr. Needles, he stated he prepared the reimbursement report to Corn Belt in a manner which took full advantage of the amount the City could collect. He was a "Webster City guy" trying to get as much as he could for the City knowing that he did not actually work all of the hours submitted.

However, a representative of Corn Belt sent an e-mail to Mr. Needles on May 4, 2007 to confirm Mr. Needles submitted only hours worked on Key Accounts activities for reimbursement. In an e-mail reply dated May 6, 2007, Mr. Needles confirmed that was correct. A copy of the e-mail correspondence is included in **Appendix 3**.

It appears Mr. Needles added extra hours to the Corn Belt reimbursement reports to offset a larger portion of the amount he billed the City for his work since Mr. Needles hourly billing rates to the City exceeded the maximum hourly rate allowed by Corn Belt for reimbursement. Because sufficient documentation is not available, we are unable to determine if extra hours were added to the reimbursement reports for other staff members. Mr. Needles stated he did not feel the extra hours would be an issue because the funds from which Corn Belt reimbursed the City were "technically not their money anyway." Mr. Needles indicated the funds held by Corn Belt were funds originating from and were "due back" to the member organizations. The \$137,464.89 received by the City for time not worked by Mr. Needles has been included in **Exhibit A**.

According to a Corn Belt representative, starting in January 2004, the number of hours included on the reimbursement reports to Corn Belt was limited to 160 hours per month or 95% of the combined hours worked by the Key Accounts Executive and staff during the period. The limitation was established because members had been

requesting reimbursement for more than 100% of a full time position, which meant the individuals were working overtime on the Key Accounts program. Corn Belt would not reimburse for the costs associated with overtime. We reviewed the reimbursement reports submitted for Webster City and determined 42 of 78 reimbursements for the period April 2000 through September 2006 were reported at 160 hours or greater.

Table 3 summarizes the hours billed to the City and reimbursed by Corn Belt for Mr. Needles' time on the Key Accounts program each fiscal year. The **Table** also summarizes the related costs billed to the City and reimbursed by Corn Belt. **Exhibit D** includes the costs by month. As illustrated by the **Table**, the City was billed by The Energy Group for 4,314.35 hours less than reimbursed by Corn Belt, yet the City was billed \$56,888.89 more. This is the result of Corn Belt reimbursing the City between \$30.00 and \$34.74 per hour for the work performed by Mr. Needles while Mr. Needles, in turn, billed the City \$50.00 per hour until February 2001 when the rate increased to \$65.00 per hour for work he performed. The City should have received reimbursement from Corn Belt for approximately 50% of the costs the City paid Mr. Needles for services associated with the Key Accounts program. However, the City was reimbursed approximately 85% of the costs for Mr. Needles' services.

Table 3

Fiscal Year	Hours			Costs		
	Billed to the City*	Reimbursed to the City^	Variance	Billed to the City*	Reimbursed to the City^	Variance
2000	124.00	104.00	20.00	\$ 6,200.00	3,120.00	3,080.00
2001	787.00	1,424.00	(637.00)	44,285.00	42,720.00	1,565.00
2002	1,055.70	1,711.50	(655.80)	68,620.75	51,345.00	17,275.75
2003	1,242.00	1,913.50	(671.50)	80,730.00	59,221.20	21,508.80
2004	1,143.00	1,889.00	(746.00)	74,295.00	60,944.20	13,350.80
2005	860.10	1,769.25	(909.15)	55,906.50	58,203.51	(2,297.01)
2006	781.20	1,415.00	(633.80)	50,778.00	48,305.67	2,472.33
2007	90.90	172.00	(81.10)	5,908.50	5,975.28	(66.78)
	6,083.90	10,398.25	(4,314.35)	\$ 386,723.75	329,834.86	56,888.89

* - By The Energy Group

^ - By Corn Belt

A City staff member we spoke with was aware the reimbursement reports prepared by Mr. Needles included more hours than actually worked. The staff member stated they were told a long standing verbal agreement existed between Corn Belt and the City for this provision because the City was unable to take advantage of some of the credits which Corn Belt offered other members.

According to a Corn Belt representative we spoke with, Corn Belt was not aware the hours submitted for reimbursement were greater than the number of hours actually worked and had not allowed additional hours in lieu of credits. It appears the City staff member's understanding of the arrangement to report more hours than actually worked is incorrect.

During our fieldwork, we spoke with Mayor Gene Gray, former City Manager Teresa Rotschafer and other former and current Council members who stated they were not aware reimbursement reports had been submitted to Corn Belt for more hours than actually worked by Mr. Needles. Current and prior City officials we spoke with stated they had not received copies of the reimbursement reports submitted to Corn Belt.

They also stated they had only reviewed the invoices to the City from The Energy Group which contained a notation of how much reimbursement Corn Belt would be providing to the City for the month of the invoice submitted. It appears the purpose of the notation of the reimbursement amount was to make it apparent how much of the amount billed to the City would be reimbursed by Corn Belt.

- b. **City Staff Time** – As previously stated, Mr. Needles prepared the reimbursement reports and he stated he did not receive timesheets or other documentation regarding the number of hours worked on the program by City employees. However, he had a good idea of the number of hours to include in the monthly reimbursement reports for the employees, based on his observations.

According to a Corn Belt representative we spoke with, in addition to the Key Accounts Executive's position, there are several other personnel categories for which hours are reimbursable to the City. The representative identified the following categories and the positions which would fit in each category:

- Key Accounts Executive – Mr. Needles, (The Energy Group),
- Key Accounts Management – City Manager or other staff who oversees the Key Accounts Executive,
- Key Accounts Representative – the staff who assist the Key Accounts Executive or the City's Energy Manager. These positions work with energy customers,
- Key Accounts Support – staff who provide secretarial support within the City for the Key Accounts program.

According to a representative of Corn Belt we spoke with, it would be his expectation the City Manager would be responsible for administration of the program. However, according to Ms. Rotschafer, the former City Manager, she had delegated those responsibilities to Mr. Needles. During our interview with Ms. Rotschafer, she stated she was not involved with the preparation or submission of the reimbursement reports to Corn Belt or any other aspects of the program.

The hours included on reimbursement reports for staff were not supported by timesheets or other records. Corn Belt's Key Accounts Management Expense Reimbursement Policy states it is the responsibility of the Key Accounts Executive to track the time spent on the Key Accounts program and request reimbursement for the actual number of hours spent. The unsupported costs reimbursed by Corn Belt for City staff time has been included in **Exhibit A** and totals \$45,815.20. **Exhibit E** displays the monthly amounts by staff position and the total amount not supported by appropriate documentation.

- c. **Other Unsupported Expenses** – Corn Belt reimbursed the City for other expenses associated with the Key Accounts program, including equipment, such as computers, supplies, travel and other expenses, such as mileage, dues, memberships and training. The Key Accounts Management Expense Reimbursement policy states all monthly expenses must have adequate documentation. Supporting documentation is required to be attached to the claim.

According to the Corn Belt representative we spoke with, the City is responsible for monitoring the activities of Key Accounts staff and ensuring the costs submitted for reimbursement, including salary, are legitimate and properly supported. Although support may have been submitted to Corn Belt with the individual reimbursement reports, neither a copy nor the original was retained at the City and was not available

for review. The \$12,735.60 reimbursed to the City by Corn Belt for April 2000 through September 2006 for other expenses incurred is listed by month in **Exhibit F**. Only \$1,958.59 was supported by appropriate documentation which we obtained from Corn Belt. We were unable to obtain documentation for the remaining \$10,777.01 of expenses from the City or Corn Belt. The \$10,777.01 has been included in **Exhibit A**.

According to individuals we spoke with, 2 laptop computers were purchased by The Energy Group and billed to the City. The cost of the 2 computers was subsequently reimbursed to the City by Corn Belt as part of the Key Accounts program. According to Mr. Needles, the hard drive of 1 laptop was eventually damaged and the computer was disposed of. The remaining laptop, which cost \$1,500.00, was in Mr. Needles' possession and had not been returned to the City as of May 1, 2007. As a result, we have included the \$1,500.00 cost in **Exhibit A**.

Child Care Projects – The City was awarded a \$350,000 Community Development Block Grant (CDBG) to construct 2 childcare centers. Initially, the City planned to obtain a loan from the U.S. Department of Agriculture (USDA) for some of the costs of the child care projects. However, the Council subsequently decided not to pursue a loan from the USDA and passed a resolution in July 2004 approving the issuance of \$350,000 of general obligation notes.

On July 18, 2000, The Energy Group entered into contracts to provide project management services to the Webster City Community School District and the City. Each of the contracts involved centers for children and are summarized below:

- Contract between Webster City Community School District and The Energy Group for the purpose of providing project management services for the Riverview Early Childhood Center at a fee not to exceed \$2,500.00. The contract was signed by Dennis C. Bahr, Superintendent, and Mr. Needles, Executive Vice President of The Energy Group. The fees were paid by the City and the District subsequently reimbursed the City. **Appendix 4** includes a copy of the contract.
- Contract between the City and The Energy Group for the purpose of providing project management services for the Webster City Day Care at a fee not to exceed \$75,000.00. The contract was signed by former City Manager Teresa Rotschafer and Mr. Needles, Executive Vice President of The Energy Group. **Appendix 5** includes a copy of the contract.

As illustrated by **Appendices 4** and **5**, each contract specified The Energy Group was to provide single-source professional management for the entire project, including, but not limited to, arranging for architectural and engineering services for design development and design phases of each project, providing specifications/guidelines packets to potential bidders and oversight of the procurement process and working with building staff and school district personnel to plan physical changes necessary to accommodate the need of building occupants during design and construction.

The concerns listed below were brought to our attention regarding The Energy Group's involvement in the contracts.

- a.) The Energy Group's, and specifically Mr. Needles', appointment as project manager,
- b.) Amounts paid to The Energy Group for project management,
- c.) Inspections of the child care projects and
- d.) Appearance of personal relationship between the former City Manager and a representative of The Energy Group.

Each concern is addressed in the following paragraphs.

- a. Appointment of Project Manager – Concerns were brought to our attention regarding the manner in which Mr. Needles was appointed project manager. The documents we reviewed include the following:
 - A letter dated June 15, 2000 was written to Mr. Needles by the Webster City Child Care Coalition. It stated it was an “invitation to submit professional qualifications for a review process that could lead to a construction management agreement for our project.” A copy of the letter and information regarding the Statement of Qualifications are included in **Appendices 6** and **7**, respectively.
 - A letter dated June 16, 2000 was prepared by Mr. Needles on behalf of The Energy Group and submitted to the Childcare Coalition. It was accompanied by a proposal which stated the proposed fee for the combined Riverview School renovation and the Hy-Vee project (Webster City Day Care) was an amount not to exceed \$75,000. The proposed fee included all expenses and oversight of the construction project through completion. A copy of the letter and proposed project fee are included in **Appendix 8**.

When we interviewed Mr. Needles, he stated the Child Care Coalition representatives had approached him about being the manager on the project “due to The Energy Group’s experience in the public arena”.

When we spoke with former City Manager Teresa Rotschafer, she also stated an estimate from the firm which provided architectural services came in high. As a result, the Coalition asked Mr. Needles to submit a bid. The Coalition interviewed bidders and the decision came down to price. According to Ms. Rotschafer, The Energy Group was chosen as the project manager.

During our fieldwork, we reviewed project files from the City for documentation of competitive bidding for the project management. We obtained project files from the City for the child care projects and found Requests for Proposal (RFP) letters to 3 firms requesting a Statement of Professional Qualifications. Letters were sent to The Energy Group, Leading Edge Development Services and Loren Shultz, doing business as Business & Industry. The letters to The Energy Group and Leading Edge Development Services are identical except for the addresses. However, as illustrated by **Appendix 6**, the letter to Mr. Shultz is on different letterhead, is formatted differently and is not signed. In addition, the letter to Mr. Shultz contains an address, phone numbers and e-mail address at the bottom of the letter. Based on this information, the letter appears to have been sent from Hamilton County SEED, a non-profit organization to promote economic development in Hamilton County.

It does not appear the RFP sent to Mr. Shultz was sent as early as the RFP sent to The Energy Group. Typically, when RFPs are issued by governmental entities, they are mailed to all potential bidders simultaneously and contain a deadline for response. It appears the RFP letter sent to Mr. Shultz was prepared later in an attempt to make it appear proper procedures had been followed for procurement of the project management services.

From the City’s project files, we also obtained a letter from Mr. Shultz dated June 23, 2000 which states “please accept the following proposal for construction management for the Webster City Day Care Project.” The letter also stated the amount of “not-to-exceed” fees for the project totaled \$75,000.00. Attached to his statement of qualifications was a *Post-It* note which stated:

“Since this is so obviously bogus, I hope you use it only as a last resort and I EXPECT to be protected from embarrassment LJS”

We contacted Mr. Shultz and asked him if he had submitted his resume or qualifications to be Project Manager for the child care projects and if he wrote the attached note. He stated he did not recall submitting the documents to the City. A copy of the letter is included in **Appendix 9**.

We also contacted the former Director of the Riverview Early Childhood Center and reviewed the 3 RFP letters with her. The Director's name was on the RFP letters to the 3 firms, yet only 2 of the letters contained a signature. According to the Director, she doesn't recall writing the unsigned letter to Mr. Schultz, and she doesn't recall receiving a proposal from him. In addition, the unsigned letter contained an address at the bottom which was not on the other 2 RFP letters. According to the Director, the address is not the Center's, but Hamilton County SEED's. The Statements of Qualifications were to be submitted to Berniece Hostetler at Hamilton County SEED.

The documentation we observed and our discussion with the Director raise questions regarding whether proper bidding procedures were followed and if preferential treatment was received by The Energy Group.

In addition, the documentation shows both The Energy Group and Business & Industry submitted cost estimates of \$75,000. It is unclear how the decision between bidders "came down to price," as stated by Ms. Rotschafer, when the price was the same.

- b. Project Management Billings – The Energy Group billed the City for project management of the child care centers by submitting periodic invoices. As illustrated by **Table 4**, the City paid The Energy Group \$121,564.77 for project management services of the Riverview and Webster City Child Care Projects. The cost of inspections are part of project management and, as such, should have been included in the cost established by the contracts. Also, as illustrated by the contracts in **Appendices 4** and **5**, The Energy Group was also to provide "specifications/guidelines packets to potential bidders" as part of the contracts.

Table 4	
Description	Amount
Design Services/Project Management	\$ 98,370.25
Inspections	17,069.52
Plans and Specifications (copying and shipping)	6,125.00
Total	<u>\$ 121,564.77</u>

Project management was to include all expenses and oversight of the construction project through completion. The Design Services/Project Management was billed separately from inspections, plans and specifications and geothermal test well. However, inspections and plans and specifications would customarily be included under project management of a construction project of this nature. As a result, we included these amounts as total project management fees. **Appendix 10** includes an example of a billing from The Energy Group for project management.

Table 5 summarizes the amounts paid to The Energy Group for project management services and compares the total to the amounts specified in the contracts. As illustrated by the **Table**, The Energy Group was paid \$44,064.77 more than the total of \$77,500.00 specified in the 2 contracts.

Table 5

Check Date	Check Number	Amount Paid	Check Date	Check Number	Amount Paid
05/08/01	50325	\$ 7,800.00	06/18/02	54858	3,335.00
07/17/01	51157	7,800.00	07/16/02	55176	16,681.42
08/21/01	51530	7,800.00	8/20/02	55543	8,068.00
09/18/01	51825	3,900.00	10/08/02	56071	8,093.92
11/06/01	52363	7,800.00	11/04/02	56418	1,622.00
11/20/01	52516	7,800.00	12/03/02	56735	1,853.75
12/18/01	52849	7,800.00	01/07/03	57059	1,235.75
01/22/02	53163	1,365.00	02/04/03	57399	1,931.00
02/19/02	53460	1,815.00	04/08/03	58088	2,857.88
03/19/02	53809	675.00	05/06/03	58558	1,776.52
04/16/02	54123	7,100.00	06/03/03	58827	3,089.75
05/21/02	54513	10,369.25	08/05/03	59625	2,702.87
Total paid					\$ 125,272.11
Less: Geothermal Test Well payments included in total					(3,707.34)
Net amount paid for project management					121,564.77
Less: contract amounts					(77,500.00)
Amount paid in excess of contract amounts					\$ 44,064.77

During our fieldwork, we attempted to determine if change orders were submitted to and approved by the City Council for the increase in costs for project management. However, the City did not have any change orders available for our review. During our interview with Mr. Needles, we confirmed formal change orders were not submitted by The Energy Group. Based on our review of other documentation at the City, we determined it was customary for the City to request change orders for construction projects. We observed change order approvals for the vendor who provided construction for the child care projects. It is not readily apparent why the City would not have required change orders for the work performed by The Energy Group or why the amounts paid to The Energy Group exceeded the maximum established in the contracts.

During our fieldwork, we also reviewed an invoice which documents The Energy Group billed the City \$78,000.00 for the Webster City Child Care Project, which was \$3,000.00 more than the \$75,000.00 included in the contract. We could not locate any documentation approving the increase or any change orders related to the project. As illustrated by **Appendix 10**, The Energy Group's invoice shows a cost of \$78,000.00 for the project.

The Energy Group exceeded the total original contract amounts of \$77,500.00 by \$44,064.77. This amount has been included in **Exhibit A**.

- c. Inspections – As illustrated by **Table 4**, the City paid The Energy Group \$17,069.52 for inspection fees. During our fieldwork, we determined Mr. Needles, as a representative of The Energy Group, was responsible for inspections of the construction. Daily inspector log sheets were to be completed to document the status of the work in

progress and other conditions of the work site, such as the weather. We were able to obtain several daily log sheets prepared by the inspector. Of the 12 log sheets available for our review, 7 contained the name Vicki Fortune as the inspector. According to City personnel we spoke with, Ms. Fortune is a friend of the former City Manager, Ms. Rotschafer. We were unable to review all inspection log sheets because they were not maintained in the project files kept at the City. Copies of the 12 log sheets available for our review are included **Appendix 11**.

According to discussions with Ms. Fortune, she was hired by Mr. Needles to visit the job site and report what she saw. She stated she had a calendar on which she recorded information about the progress at the construction site. She stated she submitted the calendar to Mr. Needles. The calendar was not available for our review. When we showed Ms. Fortune the inspector log sheets with her name typed at the bottom, she stated she had never seen the sheets before.

We asked Ms. Fortune if she had a background in construction or was qualified to be an inspector and she stated she did not have any experience in the construction field. We also asked Ms. Fortune how often she visited the job site. She responded she was there almost every day. During the course of our fieldwork, we talked to the Director of Webster City Day Care who stated she only occasionally saw Ms. Fortune at the job site. She did not see her on a daily basis.

Because the Iowa Department of Economic Development (DED) performs monitoring of construction projects funded with CDBG, we contacted a representative of DED to obtain an understanding of the necessary qualifications for inspecting a job site. The representative stated the individual performing the inspections would ideally have construction or architectural experience.

As previously stated, the City initially planned to obtain a loan from USDA for the child care projects. In July 2004, a decision was made to use alternate financing. As a result, the City should have been complying with USDA requirements until July 2004.

According to the USDA representative we spoke with, a resume of qualifications of the resident inspector is typically submitted to USDA Rural Development for acceptance prior to the pre-construction conference, but is not always required. The representative was unable to locate a resume for Ms. Fortune. However, we obtained copies of 2 Interim Inspection reports of the child care projects prepared by a representative of the USDA. The report dated July 29, 2003 documents the inspector had "Questions for Kelly [Needles]" regarding the inspection reports prepared by Ms. Fortune. The report also documents problems, delays or adverse conditions "develop[ed] due to contractor" and the construction time schedule was not being followed because there was "nothing to hold contractor on site."

The Interim Inspection report dated September 5, 2003, also documents the inspector had "questions" regarding the inspection reports prepared for the child care projects. In addition, the inspector documented:

- "Concern" at the question regarding the resident inspector's familiarity with construction techniques,
- "Questionable" at the question regarding "good communications between resident inspector/engineer/architect/owner, and
- the construction time schedule was not being followed because there was "no discipline."

The summary portion of the September 5, 2003 report also documented:

- “Reevaluate—→ NEED realistic timelines – lots to do – Kelly [Needles]
- HyVee [Webster City Day Care project] - Driveway, heat pumps – see handout – see dates on handout. Collette still concerned about punch list of items; concern regarding resident inspector [Ms. Fortune] – Qualifications & time reported spent at location.
- Riverview – Driveway still not in – Frustration at slowness of work and long list of unfinished items.”

During our interview with Mr. Needles, we asked him about Ms. Fortune’s role in performing daily inspections. He stated he had Ms. Fortune visit the job site and record the weather conditions and what the workers were working on because he was unable to be on the job site at all times during the project. He also stated he was considered the inspector on the project.

As stated previously, the cost of the inspections should not have been billed separately from the cost of project management. The cost of inspections has been included in the \$44,064.77 reported on **Exhibit A**. In addition, because it appears Ms. Fortune did not possess the qualifications necessary to properly inspect the construction site, The Energy Group should not have engaged her services for the project.

According to Mr. Needles, inspections were not included in his contract with the City. He stated after the project was underway a USDA representative brought to his attention a full-time inspector was required to be on-site for projects funded by USDA. According to Mr. Needles, he was asked if he could do the inspections. He also stated he included a separate charge for inspections in The Energy Group’s billings to the City for the project because the cost of the inspections had not been included in the contract cost. If the project required additional services, The Energy Group should have sought a contract amendment or submitted a change order to the City.

We reviewed the billings to the City for the project and determined they did not include charges for inspections after July 2003. However, the City did not determine until July 2004 USDA funding would not be sought for the project. We cannot determine if inspections were performed between July 2003 and March 2004 when construction was completed.

- d. Personal Relationship - Appropriate documentation was not available to determine the nature of the relationship between the former City Manager and the consultant.

Other Concerns Regarding Services Provided by The Energy Group - During our fieldwork, we identified several transactions between the City and The Energy Group, under the direction of Mr. Needles, for which questions were raised.

- a. Excessive Hours per Day - We identified 6 days between June 1, 2004 and December 31, 2006 for which the amount billed to the City for Mr. Needles exceeded 14 hours per day. We also identified 11 days during the same period for which Mr. Needles billed the City between 10 and 14 hours for a particular day. According to Mr. Needles and City personnel we spoke with, Mr. Needles simultaneously dealt with other clients while working on City projects. As a result, it is not likely Mr. Needles could consistently spend a large portion of his time exclusively working on City projects.

Table 6 lists the days for which more than 14 hours per day were billed to the City. The \$1,111.50 paid to The Energy Group for Mr. Needles' time in excess of 14 hours per day is illustrated in the **Table**. The total has been included in **Exhibit A**.

Table 6		
Date	Hours	Hours in Excess of 14
06/10/04	17.5	3.5
06/21/04	16.0	2.0
07/19/04	22.5	8.5
05/12/05	14.3	.3
07/21/05	15.6	1.6
11/16/05	15.2	1.2
Total Hours		17.1
Hourly Rate		\$ 65.00
Total Amount		\$ 1,111.50

During our fieldwork, we determined several invoices were miscalculated by The Energy Group, including the invoice for June 2004 referred to by Mr. Needles in **Appendix 15**. In total, the City underpaid The Energy Group \$809.00. This amount has been included in **Exhibit A**.

- b. Duplicates Billings – In September 2004, a Council member questioned what appeared to be a duplicate billing to the City by The Energy Group. The explanation for time charged on certain days was the same explanation provided on a previous billing. Examples of invoices which include repeating explanations are included in **Appendix 12**.

Later, the City sent a letter dated November 16, 2004 to Mr. Needles explaining why the payment for the October 31, 2004 bill was \$65.00 less than requested. The letter also stated "Please provide an explanation to his (*Councilman Gillette's*) question for re-submittal of this hour at the December 6, 2004 Council Meeting". **Appendix 13** includes a copy of the letter to Mr. Needles.

In response, Mr. Needles submitted a letter to the City dated November 17, 2004. The letter gave an explanation of the appearance of a duplicate billing. The letter also stated, "I am willing to forego interest charges on the outstanding \$65.00 fee as a token of our good faith working relationship with the City of Webster City. It is my hope that this explanation serves as adequate description of the activity that took place over the past two months but specifically on the 20th of October". The \$65.00 was subsequently paid by the City on December 7, 2004. **Appendix 14** includes a copy of the letter.

We also reviewed a letter dated December 2, 2004 from Mr. Needles to Ms. Rotschafer, the former City Manager, in response to billing issues raised by City officials. The letter stated in part "the City of Webster City is our only municipal, cooperative, or investor-owned client who asks that we bill our time on an hourly basis and then also requires the level of detail that we have asked to provide". Mr. Needles also offered an explanation for concerns regarding potential duplicate billings stating "Some of this is caused by the PDA (*personal daily assistant*) that I use that when I type in the first word or two of the detail, it includes what it thinks I wish to include to finish the explanation."

The letter from Mr. Needles also included the following: “Due to the nature of the inquiry I have had to, however, contact our legal counsel and suggested to him that a communication be drafted to the City and City Council members to remind you of the severity of the allegations and potential repercussions of any public discussion pertaining to this issue.” A copy of the letter is included in **Appendix 15**.

Shortly after the letter from Mr. Needles was received by the City, Ms. Rotschafer sent a memo dated December 5, 2004 to the Mayor and City Council. The memo stated “I am very concerned that the services of The Energy Group (Kelly Needles) continues to be questioned. Kelly has done nothing which should create the apparent mistrust by the City.” A copy of the memo is included in **Appendix 16**.

According to individuals we spoke with, by the end of 2006, Mr. Needles no longer performed the duties of the Key Accounts Executive for the City. As illustrated by **Exhibits C and D**, the amount of time billed to the City for the Key Accounts program decreased significantly late in 2006. However, the City periodically consults with Mr. Needles for the Key Accounts program. According to City officials, the consultations are to obtain historical information only.

During our review, we identified several entries on the monthly billings containing the same line description. Because documentation was not available to support the billings, we were unable to determine if the amounts were duplicate charges of previous billings or verify the hours were worked. Copies of some of the billings identified are included in **Appendix 12**.

Cost-of-Service Studies – The City has commissioned several cost-of-service studies over the past several years. The studies are designed to facilitate decision making regarding the rates to be charged to customers. **Table 7** summarizes the studies performed between fiscal years 1997 and 2007. Additional information about the studies is summarized following the **Table**.

Table 7

Fiscal Year	Vendor	Purpose	Contract Amount	Amount Paid	Contract Approved by Council
1997	The Energy Group	Webster City Municipal Electric Cost-of-Service Review	\$ 14,465.00	\$ 14,465.00**	Yes
1999	The Energy Group	Electric Cost-of-Service Study	15,750.00	11,560.00	Yes
2004	The Energy Group (Highland Resources)	Water & Sewer Cost-of-Service Studies	<i>No contract</i>	37,440.00	No
2005	Stanley Consultants, Inc.	Electric Cost-of-Service Study	22,800.00	24,655.03 ^	Yes

** - \$5,765.00 paid prior to fiscal year 1997

^ - Includes \$1,855.03 for presentation to the Council.

- On June 24, 1996, City officials approved and entered into an agreement with The Energy Group to conduct a cost-of-service study and rate analysis for the Webster City Municipal Utilities to determine future planning, services to customers and rates for the Webster City Utilities. The contract included a provision for payments not-to-exceed \$14,465.00. Available accounting records document \$8,700.00 was paid to The Energy Group during fiscal year 1997. According to a representative of the City we spoke with, The Energy Group was paid an additional \$5,765.00 prior to the time period of our review. The total amount paid to The Energy Group was \$14,465.00.
- On May 4, 1998, the City approved a cost-of-service analysis and review to be performed by The Energy Group for the Webster City Municipal Electric Utility. The contract contained a

provision for payments not-to-exceed \$15,750.00. The amount paid for the study totaled \$11,560.00.

- For fiscal year 2004, The Energy Group presented a Water Utility cost-of-service study and a Sewer Utility cost-of-service study which was prepared by Highland Resources. According to City personnel we spoke with, Highland Resources is an organization owned by the City's former Finance Director, Brian Fitzpatrick. The preparation of the studies was not approved by the City Council, as was done for previous cost studies.

The City paid The Energy Group \$37,440.00 for the 2 studies. According to Mr. Needles, the payments were made to The Energy Group which then paid Highland Resources. Highland Resources was not able to provide services directly to the City because the organization did not have the appropriate insurance coverage. As a result, The Energy Group subcontracted the work performed for the City to Highland Resources.

According to Council members, they were not aware the cost-of-service studies were being performed. According to the former City Manager, Council approval for the studies was not sought because the cost of the studies had been included in the City's budget. All other studies were approved by the Council prior to performance. Because the payments for the study were made to The Energy Group, a frequent service provider for the City, it appears the Council was unaware it had approved payments for the studies.

According to Mr. Needles, The Energy Group paid Highland Resources \$20,000.36 for the work subcontracted to the organization. Upon learning of the studies, the Mayor requested copies of the checks submitted by The Energy Group to Highland Resources. We reviewed images of the checks issued by The Energy Group to Highland Resources. **Appendix 17** includes a copy of an e-mail regarding the circumstances of the studies. When we spoke with Mr. Needles, he stated the difference between the \$34,440.00 paid by the City for the studies and the \$20,000.36 paid by The Energy Group to Highland Resources was retained by The Energy Group for costs incurred reviewing Highland Resources' work and providing oversight during the project. However, as illustrated by **Appendix 17**, Mr. Needles communicated to the former City Manager the additional costs were for "time spent by myself and/or my staff assisting your department heads on specific cost-of-service of those areas outlined..."

During the period Highland Resources performed the studies with oversight provided by The Energy Group and Mr. Needles, Mr. Needles was also acting as the City's "Utilities Advisor" (a title he used when representing the City). In addition, Mr. Needles was billing the City for "Advisor" services. It appears to be a conflict for the City's Utility Advisor to direct oversight of an independent cost-of-services study for the Utilities to his own company. Because of this apparent potential conflict of interest, all or a portion of the \$37,440.00 spent by the City for the studies may not have been in the best interest of the City. Because the services were not approved by Council, the \$37,440.00 has been included in **Exhibit A**.

When confronted with questions from City officials about the studies, Ms. Rotschafer responded in a memo to the Mayor and Council dated July 27, 2005. The memo stated, "If you question why copies [of the studies' results] were not distributed, I do not know how useful this information is to the Council – it was designed as a tool for management." **Appendix 18** includes a copy of the memo.

In a memo dated August 26, 2005 to the Mayor and Council, Ms. Rotschafer stated the issue was not necessarily the studies themselves, but that there was not a formal contract between Highland Resources, The Energy Group and the City. The memo also justified the expenditures by outlining several other professional or contractual services procured by the City for which a formal contract was not in place. A copy of the memo is included in **Appendix 19**.

The City does not currently have a policy on contract procurement for professional services. However, we observed cases in which the City had established contracts with other vendors for professional services, such as the contracts with The Energy Group for electric cost-of-service studies previously performed.

- On November 1, 2004, the Council approved an agreement with Stanley Consultants, Inc. to perform an Electric cost-of-service and rate design study. The contract specified the total amount of the study was \$22,800.00. However, the City paid \$24,655.03. According to the City Clerk, Stanley Consultants was paid an additional \$1,855.03 to present the study to the Council. Although the City requested the study, the recommendations made by Stanley Consultants were not implemented by the City. Instead, staff opted to use their own method. According to the former City Manager, the method used by Stanley Consultants was difficult to understand and City personnel instead chose to use their own method.

During our fieldwork, representatives of Hamilton County Taxpayers Association (HCTA) contacted us with concerns regarding the current rate structure and why the Stanley Consultant's cost-of-service study recommendations were not used. According to the representatives we spoke with, they were told by the City's Electric Sub-committee they could not understand the reports and they felt Stanley Consultants was not current and did not have new methodology. The HCTA subsequently hired Latham & Associates, Inc. to review the report prepared by Stanley Consultants.

We obtained the report prepared by Latham & Associates, Inc. from HCTA. The purpose of the report was to review and understand the process by which electric rates are determined by the City and how those rates reflect the costs of serving individual customer classes. The report was also to determine whether the rates charged to some customers of the Utility were subsidized by charges to other groups.

The Latham report concluded Stanley Consultants provided "a competent, systematic class cost of service study that has included estimates of the costs of providing services to each customer class." The report also stated "We were, however, dismayed to find that, at least in the May 2005 time period, the Stanley Consultants class cost of service study was not being used for pricing purposes in proposals by the Webster City Utilities staff and consultants...we were surprised to see a staff-proposed "cost plus" concept of cost allocation and pricing, that in effect, rejected the well-considered Stanley Consultants class cost of service study".

The City did not use the report from Stanley Consultants and instead used its own, in-house cost methodology. The City paid \$24,655.03 to Stanley Consultants for the report which was not used.

Recommended Control Procedures

As part of our fieldwork, we reviewed the procedures used by Webster City to process financial transactions. An important aspect of internal control is to establish procedures that provide accountability for assets susceptible to loss from error and irregularities. These procedures provide the actions of one individual will act as a check of those of another and provide a level of assurance errors or irregularities will be noted within a reasonable time during the course of normal operations. Based on our findings and observations detailed below, the following recommendations are made to strengthen Webster City's internal controls.

- A. Invoices** – The Energy Group administered the Key Accounts program for the City between May 2000 and December 2006. The billings between May 2000 and May 2004 did not have sufficient detail for the City to determine what items were billed for. The detail was not included until it was requested by the Council in 2004.

Recommendation – City officials should implement procedures to ensure payments to all vendors are supported by billings that contain sufficient detail to determine specifically what they are paying for and ensure the payments are in compliance with the terms of any authorizing contract.

In addition, the billings should be reviewed prior to payment to ensure only appropriate or reasonable items are billed at the proper cost.

- B. Professional Services Contracts** – During our review of professional service contracts between The Energy Group and the City, we identified several cost-of-service studies and project management contracts which were not approved by the Council.

We also identified contracts for professional services which did not appear to have been solicited in a manner that would allow for competitive and timely response from more than one potential vendor.

Recommendation – City officials should implement procedures which ensure professional services contracts are solicited through open competition and are approved by the Council prior to the performance of services.

- C. Potential Conflict of Interest** – The City does not have a policy regarding conflicts of interest.

Recommendation – City officials should implement appropriate policies and procedures regarding potential conflicts of interest. The policies and procedures should ensure all disbursements of the City are reviewed prior to payment by an independent party with the authority to provide appropriate oversight. The independent review should ensure the vendor or party with whom the City is conducting business does not have a potential conflict of interest with City officials or personnel.

- D. Reimbursements from Corn Belt** - The City participates in the "Key Accounts Management program" established by its energy provider, Corn Belt Power Cooperative. Corn Belt reimburses the City for salary and other necessary costs incurred for operation of the program.

Prior to October 2006, the City engaged The Energy Group to administer the program for the City. Kelly Needles, Executive Vice-President of The Energy Group, was responsible for the daily operations of the program at the City. Mr. Needles prepared and submitted reimbursement reports to Corn Belt for the City. The reimbursement reports stated the number of hours Mr. Needles and City staff worked on the program as well as other expenses incurred.

Mr. Needles also prepared and submitted invoices to the City for his work on the program.

Based on the reimbursement reports, Corn Belt reimbursed the City \$329,834.86 for the program between April 1, 2001 and September 30, 2006. The reimbursement reports submitted to Corn Belt by Mr. Needles show he worked 10,398.25 hours on the program. However, the invoices Mr. Needles submitted to the City for the same time period show he worked only 6,083.9 hours on the program. The additional 4,314.35 hours of service reported to Corn Belt resulted in the City receiving reimbursements of \$137,464.89 for hours not worked by Mr. Needles.

In addition, the amounts reported by Mr. Needles and reimbursed to the City for hours worked by City staff were not supported by timesheets or other documentation. Corn Belt reimbursed the City \$45,815.20 for City staff time. Also, \$10,777.01 of other expenses reported to and reimbursed by Corn Belt were not supported.

Recommendation – City officials should consult with legal counsel and representatives of Corn Belt to resolve the over-reimbursement of \$138,964.89 and the unsupported reimbursements of \$56,592.21.

Exhibits

Report on Reaudit and Special Investigation of the
City of Webster City

Summary of Findings
For the period January 1, 1997 through December 31, 2006

Description	Exhibit/Table/ Page Number
Key Accounts Management program:	
Over-reimbursement to City for Key Accounts Executive's Time	Exhibit C
City Staff Time	Exhibit E
Other Unsupported Expenses	Exhibit F
Cost of Computer	Page 11
Child Care Projects:	
Project Management Billings	Table 5
Other Concerns:	
Excessive Hours per Day	Table 6
Miscalculated Billings	Page 17
Cost-of-Service Studies	Page 19
Total	

Improper		Unupported Reimbursements	Services Not Approved
Reimbursements	Disbursements		
\$ 137,464.89	-	-	-
-	-	45,815.20	-
-	-	10,777.01	-
1,500.00	-	-	-
-	44,064.77	-	-
-	1,111.50	-	-
-	(809.00)	-	-
-	-	-	37,440.00
\$ 138,964.89	44,367.27	56,592.21	37,440.00

Report on Reaudit and Special Investigation of the
City of Webster City

Summary of Payments to The Energy Group
For the period January 1, 1997 through December 31, 2006

Description	Fiscal Year				
	1997	1998	1999	2000	2001
Utility Key Accounts Management	\$ -	-	-	3,800.00	42,525.00
Child Care Projects:	-	-	-	-	-
Design Services/Project Management	-	-	-	-	7,800.00
Inspections	-	-	-	-	-
Geothermal Test Well	-	-	-	-	-
Plans and Specifications (copying and shipping)	-	-	-	-	-
Subtotal	-	-	-	-	7,800.00
General Consulting	9,850.00	13,397.50	25,650.00	46,450.00	12,925.00
Cost-of-Service Studies	8,700.00	-	11,560.00	-	-
Other Services:					
Rebuild Webster City Grant:	-	-	-	-	-
Base Amount	6,250.00	10,000.00	11,250.00	-	-
Commission	5,000.00	5,000.00	-	-	-
Retainage	(562.50)	787.50	-	-	-
Subtotal of Rebuild Webster City Grant	10,687.50	15,787.50	11,250.00	-	-
Economic Development	-	-	-	-	1,625.00
Airport Project	-	-	-	-	-
Natural Gas Commission	-	-	-	-	-
ABI Dues	102.00	-	-	-	-
Kiwanis Dues	42.00	-	-	-	-
Kiwanis Add	15.00	-	-	-	-
ABI Home Show	175.00	-	-	-	-
Energy Audits for Utility Customers	-	2,536.52	-	-	-
Energy Audit for Kreg Foster	-	-	1,200.00	-	-
Life Cycle Cost Analyses at ICC	-	-	-	2,000.00	-
Reimbursement for Computer	-	-	-	-	3,582.80
Frigidaire Pricing and Contract Neg.	-	3,250.00	-	-	-
Subtotal of Other Services	11,021.50	21,574.02	12,450.00	2,000.00	5,207.80
Total	\$ 29,571.50	34,971.52	49,660.00	52,250.00	68,457.80

2002	2003	2004	2005	2006	2007	Total
66,410.75	77,090.00	79,706.25	55,441.75	53,248.00	8,502.00	386,723.75
-	-	-	-	-	-	-
67,559.25	23,011.00	-	-	-	-	98,370.25
-	14,366.65	2,702.87	-	-	-	17,069.52
-	6,125.00	-	-	-	-	6,125.00
-	3,707.34	-	-	-	-	3,707.34
67,559.25	47,209.99	2,702.87	-	-	-	125,272.11
4,875.00	13,325.00	14,495.00	-	-	1,137.50	142,105.00
-	24,700.00	12,740.00	-	-	-	57,700.00
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	27,500.00
-	-	-	-	-	-	10,000.00
-	-	-	-	-	-	225.00
-	-	-	-	-	-	37,725.00
13,260.00	15,177.50	6,240.00	2,892.50	-	-	39,195.00
2,567.50	-	-	-	-	-	2,567.50
-	-	7,377.50	6,516.25	-	-	13,893.75
-	-	-	-	-	-	102.00
-	-	-	-	-	-	42.00
-	-	-	-	-	-	15.00
-	-	-	-	-	-	175.00
-	-	-	-	-	-	2,536.52
-	-	-	-	-	-	1,200.00
-	-	-	-	-	-	2,000.00
-	-	-	1,500.00	-	-	5,082.80
-	-	-	-	-	-	3,250.00
15,827.50	15,177.50	13,617.50	10,908.75	-	-	107,784.57
154,672.50	177,502.49	123,261.62	66,350.50	53,248.00	9,639.50	819,585.43

Exhibit C

Report on Reaudit and Special Investigation of the
City of Webster City

Over-reimbursement to City for Key Accounts Executive's Time
For the period January 1, 1997 through December 31, 2006

Service Period	Number of Hours			Amounts		Over/(Under) Reimbursement from Corn Belt (C x E)
	Reported to Corn Belt by the City (A)	Billed to the City by The Energy Group* (B)	Overstated (Understated) (C = A - B)	Reimbursed to the City by Corn Belt (D)	Calculated Hourly Reimbursement Rate (E = D / A)	
Apr-00	25.00	52.00	(27.00)	\$ 750.00	30.00	\$ (810.00)
May-00	22.00	24.00	(2.00)	660.00	30.00	(60.00)
Jun-00	57.00	48.00	9.00	1,710.00	30.00	270.00
Subtotal	104.00	124.00	(20.00)	3,120.00		(600.00)
Jul-00	75.00	62.00	13.00	2,250.00	30.00	390.00
Aug-00	101.00	76.00	25.00	3,030.00	30.00	750.00
Sep-00	121.00	64.00	57.00	3,630.00	30.00	1,710.00
Oct-00	137.00	54.00	83.00	4,110.00	30.00	2,490.00
Nov-00	131.00	70.00	61.00	3,930.00	30.00	1,830.00
Dec-00	160.00	56.00	104.00	4,800.00	30.00	3,120.00
Jan-01	106.00	76.00	30.00	3,180.00	30.00	900.00
Feb-01	102.00	55.00	47.00	3,060.00	30.00	1,410.00
Mar-01	116.00	69.00	47.00	3,480.00	30.00	1,410.00
Apr-01	119.00	61.00	58.00	3,570.00	30.00	1,740.00
May-01	121.00	80.00	41.00	3,630.00	30.00	1,230.00
Jun-01	135.00	64.00	71.00	4,050.00	30.00	2,130.00
Subtotal	1,424.00	787.00	637.00	42,720.00		19,110.00
Jul-01	133.50	61.00	72.50	4,005.00	30.00	2,175.00
Aug-01	142.00	80.00	62.00	4,260.00	30.00	1,860.00
Sep-01	136.00	74.00	62.00	4,080.00	30.00	1,860.00
Oct-01	129.00	83.00	46.00	3,870.00	30.00	1,380.00
Nov-01	127.00	76.00	51.00	3,810.00	30.00	1,530.00
Dec-01	118.50	76.00	42.50	3,555.00	30.00	1,275.00
Jan-02	163.00	127.00	36.00	4,890.00	30.00	1,080.00
Feb-02	155.00	97.00	58.00	4,650.00	30.00	1,740.00
Mar-02	148.50	89.00	59.50	4,455.00	30.00	1,785.00
Apr-02	147.00	92.70	54.30	4,410.00	30.00	1,629.00
May-02	151.00	102.00	49.00	4,530.00	30.00	1,470.00
Jun-02	161.00	98.00	63.00	4,830.00	30.00	1,890.00
Subtotal	1,711.50	1,055.70	655.80	51,345.00		19,674.00

Report on Reaudit and Special Investigation of the
City of Webster City

Over-reimbursement to City for Key Accounts Executive's Time
For the period January 1, 1997 through December 31, 2006

Service Period	Number of Hours			Amounts		Over/(Under) Reimbursement from Corn Belt (C x E)
	Reported to Corn Belt by the City (A)	Billed to the City by The Energy Group* (B)	Overstated (Understated) (C = A - B)	Reimbursed to the City by Corn Belt (D)	Calculated Hourly Reimbursement Rate (E = D/A)	
Jul-02	150.00	96.00	54.00	4,500.00	30.00	1,620.00
Aug-02	152.00	99.00	53.00	4,560.00	30.00	1,590.00
Sep-02	151.00	100.00	51.00	4,530.00	30.00	1,530.00
Oct-02	151.00	109.00	42.00	4,530.00	30.00	1,260.00
Nov-02	149.50	107.50	42.00	4,485.00	30.00	1,260.00
Dec-02	151.00	105.00	46.00	4,530.00	30.00	1,380.00
Jan-03	165.00	102.50	62.50	5,247.00	31.80	1,987.50
Feb-03	162.00	99.00	63.00	5,151.60	31.80	2,003.40
Mar-03	172.00	86.00	86.00	5,469.60	31.80	2,734.80
Apr-03	168.00	94.00	74.00	5,342.40	31.80	2,353.20
May-03	171.00	90.00	81.00	5,437.80	31.80	2,575.80
Jun-03	171.00	154.00	17.00	5,437.80	31.80	540.60
Subtotal	1,913.50	1,242.00	671.50	59,221.20		20,835.30
Jul-03	169.00	130.00	39.00	5,374.20	31.80	1,240.20
Aug-03	160.00	110.00	50.00	5,088.00	31.80	1,590.00
Sep-03	160.00	86.00	74.00	5,088.00	31.80	2,353.20
Oct-03	160.00	97.00	63.00	5,088.00	31.80	2,003.40
Nov-03	160.00	99.00	61.00	5,088.00	31.80	1,939.80
Dec-03	160.00	90.00	70.00	5,088.00	31.80	2,226.00
Jan-04	160.00	90.00	70.00	5,240.00	32.75	2,292.50
Feb-04	148.00	110.00	38.00	4,847.00	32.75	1,244.50
Mar-04	150.00	88.25	61.75	4,912.50	32.75	2,022.31
Apr-04	150.00	87.00	63.00	4,912.50	32.75	2,063.25
May-04	160.00	85.00	75.00	5,240.00	32.75	2,456.25
Jun-04	152.00	70.75	81.25	4,978.00	32.75	2,660.94
Subtotal	1,889.00	1,143.00	746.00	60,944.20		24,092.35
Jul-04	160.00	81.50	78.50	5,240.00	32.75	2,570.88
Aug-04	160.00	76.00	84.00	5,240.00	32.75	2,751.00
Sep-04	160.00	79.00	81.00	5,240.00	32.75	2,652.75
Oct-04	160.00	86.00	74.00	5,240.00	32.75	2,423.50
Nov-04	160.00	66.60	93.40	4,683.25	29.27	2,733.85

Exhibit C

Report on Reaudit and Special Investigation of the
City of Webster City

Over-reimbursement to City for Key Accounts Executive's Time
For the period January 1, 1997 through December 31, 2006

Service Period	Number of Hours			Amounts		Over/(Under) Reimbursement from Corn Belt (C x E)
	Reported to Corn Belt by the City (A)	Billed to the City by The Energy Group* (B)	Overstated (Understated) (C = A - B)	Reimbursed to the City by Corn Belt (D)	Calculated Hourly Reimbursement Rate (E = D/A)	
Dec-04	135.25	72.00	63.25	4,429.44	32.75	2,071.44
Jan-05	141.00	41.00	100.00	4,755.93	33.73	3,373.00
Feb-05	100.00	43.80	56.20	3,373.00	33.73	1,895.63
Mar-05	123.00	72.50	50.50	4,148.79	33.73	1,703.37
Apr-05	160.00	81.80	78.20	5,396.80	33.73	2,637.69
May-05	155.00	82.00	73.00	5,228.15	33.73	2,462.29
Jun-05	155.00	77.90	77.10	5,228.15	33.73	2,600.58
Subtotal	1,769.25	860.10	909.15	58,203.51		29,875.96
Jul-05	142.00	84.50	57.50	4,789.66	33.73	1,939.48
Aug-05	142.00	89.80	52.20	4,789.66	33.73	1,760.71
Sep-05	128.00	79.10	48.90	4,317.44	33.73	1,649.40
Oct-05	148.00	86.60	61.40	4,992.04	33.73	2,071.02
Nov-05	144.00	77.20	66.80	4,857.12	33.73	2,253.16
Dec-05	139.00	71.00	68.00	4,688.47	33.73	2,293.64
Jan-06	55.00	35.10	19.90	1,910.70	34.74	691.33
Feb-06	100.00	53.50	46.50	3,474.00	34.74	1,615.41
Mar-06	80.00	36.70	43.30	2,779.20	34.74	1,504.24
Apr-06	110.00	48.00	62.00	3,821.40	34.74	2,153.88
May-06	152.00	79.80	72.20	5,280.48	34.74	2,508.23
Jun-06	75.00	39.90	35.10	2,605.50	34.74	1,219.37
Subtotal	1,415.00	781.20	633.80	48,305.67		21,659.86
Jul-06	103.00	53.40	49.60	3,578.22	34.74	1,723.10
Aug-06	48.00	25.50	22.50	1,667.52	34.74	781.65
Sep-06	21.00	12.00	9.00	729.54	34.74	312.66
Subtotal	172.00	90.90	81.10	5,975.28		2,817.41
Total	10,398.25	6,083.90	4,314.35	\$ 329,834.86		\$ 137,464.89

* - For the Key Accounts Program.

Report on Reaudit and Special Investigation of the
City of Webster City

Comparison of Amounts Billed to the City by The Energy Group to the Amounts
Reimbursed to the City by Corn Belt Power Cooperative for Kelly Needles' Time
For the period January 1, 1997 through December 31, 2006

Service Period	Amounts		Difference
	Billed to the City by The Energy Group	Reimbursed to the City by Corn Belt	
Apr-00	\$ 2,600.00	750.00	1,850.00
May-00	1,200.00	660.00	540.00
Jun-00	2,400.00	1,710.00	690.00
Subtotal	6,200.00	3,120.00	3,080.00
Jul-00	3,100.00	2,250.00	850.00
Aug-00	3,800.00	3,030.00	770.00
Sep-00	3,200.00	3,630.00	(430.00)
Oct-00	2,700.00	4,110.00	(1,410.00)
Nov-00	3,500.00	3,930.00	(430.00)
Dec-00	2,800.00	4,800.00	(2,000.00)
Jan-01	3,800.00	3,180.00	620.00
Feb-01	3,575.00	3,060.00	515.00
Mar-01	4,485.00	3,480.00	1,005.00
Apr-01	3,965.00	3,570.00	395.00
May-01	5,200.00	3,630.00	1,570.00
Jun-01	4,160.00	4,050.00	110.00
Subtotal	44,285.00	42,720.00	1,565.00
Jul-01	3,965.00	4,005.00	(40.00)
Aug-01	5,200.00	4,260.00	940.00
Sep-01	4,810.00	4,080.00	730.00
Oct-01	5,395.00	3,870.00	1,525.00
Nov-01	4,940.00	3,810.00	1,130.00
Dec-01	4,940.00	3,555.00	1,385.00
Jan-02	8,255.00	4,890.00	3,365.00
Feb-02	6,305.00	4,650.00	1,655.00
Mar-02	5,785.00	4,455.00	1,330.00
Apr-02	6,025.75	4,410.00	1,615.75
May-02	6,630.00	4,530.00	2,100.00
Jun-02	6,370.00	4,830.00	1,540.00
Subtotal	68,620.75	51,345.00	17,275.75

Exhibit D

Report on Reaudit and Special Investigation of the
City of Webster City

Comparison of Amounts Billed to the City by The Energy Group to the Amounts
Reimbursed to the City by Corn Belt Power Cooperative for Kelly Needles' Time
For the period January 1, 1997 through December 31, 2006

Service Period	Amounts		Difference
	Billed to the City by The Energy Group	Reimbursed to the City by Corn Belt	
Jul-02	6,240.00	4,500.00	1,740.00
Aug-02	6,435.00	4,560.00	1,875.00
Sep-02	6,500.00	4,530.00	1,970.00
Oct-02	7,085.00	4,530.00	2,555.00
Nov-02	6,987.50	4,485.00	2,502.50
Dec-02	6,825.00	4,530.00	2,295.00
Jan-03	6,662.50	5,247.00	1,415.50
Feb-03	6,435.00	5,151.60	1,283.40
Mar-03	5,590.00	5,469.60	120.40
Apr-03	6,110.00	5,342.40	767.60
May-03	5,850.00	5,437.80	412.20
Jun-03	10,010.00	5,437.80	4,572.20
Subtotal	80,730.00	59,221.20	21,508.80
Jul-03	8,450.00	5,374.20	3,075.80
Aug-03	7,150.00	5,088.00	2,062.00
Sep-03	5,590.00	5,088.00	502.00
Oct-03	6,305.00	5,088.00	1,217.00
Nov-03	6,435.00	5,088.00	1,347.00
Dec-03	5,850.00	5,088.00	762.00
Jan-04	5,850.00	5,240.00	610.00
Feb-04	7,150.00	4,847.00	2,303.00
Mar-04	5,736.25	4,912.50	823.75
Apr-04	5,655.00	4,912.50	742.50
May-04	5,525.00	5,240.00	285.00
Jun-04	4,598.75	4,978.00	(379.25)
Subtotal	74,295.00	60,944.20	13,350.80
Jul-04	5,297.50	5,240.00	57.50
Aug-04	4,940.00	5,240.00	(300.00)
Sep-04	5,135.00	5,240.00	(105.00)
Oct-04	5,590.00	5,240.00	350.00
Nov-04	4,329.00	4,683.25	(354.25)

Report on Reaudit and Special Investigation of the
City of Webster City

Comparison of Amounts Billed to the City by The Energy Group to the Amounts
Reimbursed to the City by Corn Belt Power Cooperative for Kelly Needles' Time
For the period January 1, 1997 through December 31, 2006

Service Period	Amounts		Difference
	Billed to the City by The Energy Group	Reimbursed to the City by Corn Belt	
Dec-04	4,680.00	4,429.44	250.56
Jan-05	2,665.00	4,755.93	(2,090.93)
Feb-05	2,847.00	3,373.00	(526.00)
Mar-05	4,712.50	4,148.79	563.71
Apr-05	5,317.00	5,396.80	(79.80)
May-05	5,330.00	5,228.15	101.85
Jun-05	5,063.50	5,228.15	(164.65)
Subtotal	55,906.50	58,203.51	(2,297.01)
Jul-05	5,492.50	4,789.66	702.84
Aug-05	5,837.00	4,789.66	1,047.34
Sep-05	5,141.50	4,317.44	824.06
Oct-05	5,629.00	4,992.04	636.96
Nov-05	5,018.00	4,857.12	160.88
Dec-05	4,615.00	4,688.47	(73.47)
Jan-06	2,281.50	1,910.70	370.80
Feb-06	3,477.50	3,474.00	3.50
Mar-06	2,385.50	2,779.20	(393.70)
Apr-06	3,120.00	3,821.40	(701.40)
May-06	5,187.00	5,280.48	(93.48)
Jun-06	2,593.50	2,605.50	(12.00)
Subtotal	50,778.00	48,305.67	2,472.33
Jul-06	3,471.00	3,578.22	(107.22)
Aug-06	1,657.50	1,667.52	(10.02)
Sep-06	780.00	729.54	50.46
Subtotal	5,908.50	5,975.28	(66.78)
Total	\$ 386,723.75	329,834.86	56,888.89

Exhibit E

Report on Reaudit and Special Investigation of the
City of Webster City

Unsupported Reimbursements for Salary Costs Reported to Corn Belt Power Cooperative
For the period January 1, 1997 through December 31, 2006

Service Period	Key Accounts Management	Key Accounts Representative	Key Accounts Support	Unsupported Salary Costs
Apr-00	\$ 1,360.00	-	-	1,360.00
May-00	1,020.00	-	255.00	1,275.00
Jun-00	408.00	-	323.00	731.00
Jul-00	527.00	-	527.00	1,054.00
Aug-00	510.00	-	272.00	782.00
Sep-00	272.00	-	408.00	680.00
Oct-00	-	-	306.00	306.00
Nov-00	272.00	-	374.00	646.00
Dec-00	748.00	-	153.00	901.00
Jan-01	884.00	-	153.00	1,037.00
Feb-01	510.00	-	195.50	705.50
Mar-01	646.00	-	51.00	697.00
Apr-01	595.00	-	187.00	782.00
May-01	442.00	-	119.00	561.00
Jun-01	544.00	-	187.00	731.00
Jul-01	510.00	-	153.00	663.00
Aug-01	782.00	-	204.00	986.00
Sep-01	1,088.00	-	229.50	1,317.50
Oct-01	1,054.00	-	187.00	1,241.00
Nov-01	1,088.00	-	136.00	1,224.00
Dec-01	884.00	-	85.00	969.00
Jan-02	646.00	189.00	-	835.00
Feb-02	629.00	270.00	-	899.00
Mar-02	1,054.00	-	425.00	1,479.00
Apr-02	1,088.00	-	476.00	1,564.00
May-02	1,156.00	-	425.00	1,581.00
Jun-02	935.00	-	323.00	1,258.00
Jul-02	1,054.00	-	357.00	1,411.00
Aug-02	952.00	-	357.00	1,309.00
Sep-02	1,054.00	-	340.00	1,394.00
Oct-02	-	1,107.00	374.00	1,481.00

Report on Reaudit and Special Investigation of the
City of Webster City

Unsupported Reimbursements for Salary Costs Reported to Corn Belt Power Cooperative
For the period January 1, 1997 through December 31, 2006

Service Period	Key Accounts Management	Key Accounts Representative	Key Accounts Support	Unsupported Salary Costs
Nov-02	-	1,215.00	408.00	1,623.00
Dec-02	-	1,161.00	442.00	1,603.00
Jan-03	-	744.12	-	744.12
Feb-03	-	658.26	-	658.26
Mar-03	-	858.60	-	858.60
Apr-03	-	772.74	-	772.74
May-03	-	1,058.94	-	1,058.94
Jun-03	-	1,202.04	-	1,202.04
Jul-03	-	1,202.04	-	1,202.04
Aug-03	-	-	-	-
Sep-03	-	-	-	-
Oct-03	-	-	-	-
Nov-03	-	601.02	-	601.02
Dec-03	-	801.36	-	801.36
Jan-04	-	648.56	-	648.56
Feb-04	-	795.96	-	795.96
Mar-04	-	737.00	-	737.00
Apr-04	-	324.28	-	324.28
May-04	-	-	-	-
Jun-04	-	324.28	-	324.28
Jul-04	-	-	-	-
Aug-04	-	-	-	-
Sep-04	-	-	-	-
Oct-04	-	-	-	-
Nov-04	-	-	-	-
Dec-04	-	-	-	-
Jan-05	-	-	-	-
Feb-05	-	-	-	-
Mar-05	-	-	-	-
Apr-05	-	-	-	-
May-05	-	-	-	-
Jun-05	-	-	-	-

Exhibit E

Report on Reaudit and Special Investigation of the
City of Webster City

Unsupported Reimbursements for Salary Costs Reported to Corn Belt Power Cooperative
For the period January 1, 1997 through December 31, 2006

Service Period	Key Accounts Management	Key Accounts Representative	Key Accounts Support	Unsupported Salary Costs
Jul-05	-	-	-	-
Aug-05	-	-	-	-
Sep-05	-	-	-	-
Oct-05	-	-	-	-
Nov-05	-	-	-	-
Dec-05	-	-	-	-
Jan-06	-	-	-	-
Feb-06	-	-	-	-
Mar-06	-	-	-	-
Apr-06	-	-	-	-
May-06	-	-	-	-
Jun-06	-	-	-	-
Jul-06	-	-	-	-
Aug-06	-	-	-	-
Sep-06	-	-	-	-
Total	<u>22,712.00</u>	<u>14,671.20</u>	<u>8,432.00</u>	<u>45,815.20</u>

Report on Reaudit and Special Investigation of the
City of Webster City

Unsupported Reimbursements for Other Costs Reported to Corn Belt Power Cooperative
For the period January 1, 1997 through December 31, 2006

Service Period	Equipment	Material & Supplies	Expense & Travel	Total Reimbursements	Less: Supported Reimbursements	Unsupported Reimbursements
Apr-00	-	-	19.50	19.50	-	19.50
May-00	-	-	29.25	29.25	-	29.25
Jun-00	-	-	48.75	48.75	-	48.75
Jul-00	-	-	97.50	97.50	-	97.50
Aug-00	-	-	256.86	256.86	-	256.86
Sep-00	-	-	39.00	39.00	-	39.00
Oct-00	3,500.00	-	47.13	3,547.13	-	3,547.13
Nov-00	-	-	52.65	52.65	-	52.65
Dec-00	-	-	48.75	48.75	-	48.75
Jan-01	-	-	55.20	55.20	-	55.20
Feb-01	-	-	110.40	110.40	-	110.40
Mar-01	-	-	55.20	55.20	-	55.20
Apr-01	-	-	59.34	59.34	-	59.34
May-01	-	69.00	1,296.60	1,365.60	-	1,365.60
Jun-01	-	-	366.41	366.41	-	366.41
Jul-01	-	-	58.65	58.65	-	58.65
Aug-01	-	-	-	-	-	-
Sep-01	-	-	41.40	41.40	-	41.40
Oct-01	-	-	51.75	51.75	-	51.75
Nov-01	-	-	57.96	57.96	-	57.96
Dec-01	-	-	59.00	59.00	-	59.00
Jan-02	-	-	51.75	51.75	-	51.75
Feb-02	-	-	51.75	51.75	-	51.75
Mar-02	-	-	51.75	51.75	-	51.75
Apr-02	-	-	51.75	51.75	-	51.75
May-02	-	-	51.75	51.75	-	51.75
Jun-02	-	-	51.75	51.75	-	51.75
Jul-02	-	-	51.75	51.75	-	51.75
Aug-02	-	-	51.75	51.75	-	51.75
Sep-02	-	-	51.75	51.75	-	51.75
Oct-02	-	-	59.34	59.34	-	59.34

Exhibit F

Report on Reaudit and Special Investigation of the
City of Webster City

Unsupported Reimbursements for Other Costs Reported to Corn Belt Power Cooperative
For the period January 1, 1997 through December 31, 2006

Service Period	Equipment	Material & Supplies	Expense & Travel	Total Reimbursements	Less: Supported Reimbursements	Unsupported Reimbursements
Nov-02	-	-	56.93	56.93	-	56.93
Dec-02	-	-	59.34	59.34	-	59.34
Jan-03	-	-	63.00	63.00	-	63.00
Feb-03	-	-	83.52	83.52	-	83.52
Mar-03	-	-	63.00	63.00	-	63.00
Apr-03	-	-	63.00	63.00	-	63.00
May-03	-	-	63.00	63.00	-	63.00
Jun-03	-	-	63.00	63.00	-	63.00
Jul-03	-	-	59.40	59.40	-	59.40
Aug-03	-	-	93.60	93.60	-	93.60
Sep-03	-	-	93.60	93.60	-	93.60
Oct-03	-	-	87.48	87.48	-	87.48
Nov-03	-	-	97.20	97.20	-	97.20
Dec-03	-	-	97.20	97.20	-	97.20
Jan-04	-	-	777.34	777.34	458.59	318.75
Feb-04	1,500.00	-	66.75	1,566.75	1,500.00	66.75
Mar-04	-	-	90.00	90.00	-	90.00
Apr-04	56.25	-	-	56.25	-	56.25
May-04	80.63	-	-	80.63	-	80.63
Jun-04	-	-	71.25	71.25	-	71.25
Jul-04	-	-	82.50	82.50	-	82.50
Aug-04	-	-	92.63	92.63	-	92.63
Sep-04	-	-	97.50	97.50	-	97.50
Oct-04	-	-	75.00	75.00	-	75.00
Nov-04	-	-	-	-	-	-
Dec-04	-	-	112.50	112.50	-	112.50
Jan-05	-	-	-	-	-	-
Feb-05	-	-	-	-	-	-
Mar-05	-	-	303.75	303.75	-	303.75
Apr-05	-	-	101.25	101.25	-	101.25
May-05	-	-	107.33	107.33	-	107.33

Report on Reaudit and Special Investigation of the
City of Webster City

Unsupported Reimbursements for Other Costs Reported to Corn Belt Power Cooperative
For the period January 1, 1997 through December 31, 2006

Service Period	Equipment	Material & Supplies	Expense & Travel	Total Reimbursements	Less: Supported Reimbursements	Unsupported Reimbursements
Jun-05	-	-	102.06	102.06	-	102.06
Jul-05	-	-	144.18	144.18	-	144.18
Aug-05	-	-	144.18	144.18	-	144.18
Sep-05	-	-	144.18	144.18	-	144.18
Oct-05	-	-	172.66	172.66	-	172.66
Nov-05	-	-	160.00	160.00	-	160.00
Dec-05	-	-	265.00	265.00	-	265.00
Jan-06	-	-	-	-	-	-
Feb-06	-	-	-	-	-	-
Mar-06	-	-	-	-	-	-
Apr-06	-	-	-	-	-	-
May-06	-	-	-	-	-	-
Jun-06	-	-	-	-	-	-
Jul-06	-	-	-	-	-	-
Aug-06	-	-	-	-	-	-
Sep-06	-	-	-	-	-	-
Total	<u>\$ 5,136.88</u>	<u>69.00</u>	<u>7,529.72</u>	<u>12,735.60</u>	<u>1,958.59</u>	<u>10,777.01</u>

Report on Reaudit and Special Investigation of the
City of Webster City

Staff

This review was performed by:

Annette K. Campbell, CPA, Director
Billie Jo Heth, Senior Auditor

A handwritten signature in black ink that reads "Tamera S. Kusian". The signature is written in a cursive style with a large, stylized 'T' and 'K'.

Tamera S. Kusian, CPA
Deputy Auditor of State

Appendices

Report on Reaudit and Special Investigation of the
City of Webster City

Monthly Reimbursement Report to Corn Belt Power Cooperative

KEY ACCOUNT MANAGEMENT PROGRAM		
COOPERATIVE	Webster City Municipal Utility	
DATE (MM/YY)	September-01	
EXPENSES	DOLLARS	HOURS/MI
Personnel		
K.A. Executives	4,080.00	136.00
Management	1,088.00	32.00
K.A. Rep.	0.00	0.00
Support	229.50	13.50
Sub-Total	\$ 5,397.50	181.50
Equipment		
Notebook PC	0.00	
Cell Phone	0.00	
Printer (Color)	0.00	
Palm Pilot	0.00	
Software (2)	0.00	
Misc.	0.00	
Sub-Total	\$ -	
Material & Supplies		
Brochures	0.00	
Folder	0.00	
Bus. cards	0.00	
Promotional	0.00	
Office supplies	0.00	
Postage	0.00	
Misc.	0.00	
Sub-Total	\$ -	
Expense & Travel		
Mileage	41.40	120.00
Meals & Enter.	0.00	
Data Searches	0.00	
Training	0.00	
Dues & Membr.	0.00	
Literature	0.00	
Trade Shows	0.00	
Out-of-State	0.00	
Misc.	0.00	
Sub-Total	\$ 41.40	
Total Expense	\$ 5,438.90	

CORN BELT POWER COOPERATIVE
ACCOUNTING INVOICE STAMP

Approval _____ Approval _____
Date _____ Date _____
Account Number W.O.# Amount _____
Due Date _____ Vendor # _____

90215
10-10-01

OK
CPC
10-8-2001

Report on Reaudit and Special Investigation of the
City of Webster City

Monthly Billing to the City from The Energy Group

THE ENERGY GROUP

2704 Easton Blvd.
Des Moines, Iowa 50317
PH: 515/584-1045
FAX: 515/584-1042
EMAIL: kellyneedles@theenergygroup.biz

DATE: September 1, 2008.

Invoice / Statement For: August-08

TO: City of Webster City
400 Second Street
Webster City, Iowa 50595

Key Acct Management.
601-23-53-5588-212 1657.50
Key Account Can But Reimbursement
601-23-53-5588-212 (1667.52)

NOTE: Hours/time spent are broken down into 1/10 of an hour increments to more accurately reflect detail.

Date	Description of Activity	Time Spent / Hours	Accounting	to
August 4, 2008	Ed Jacobs from EHP meeting- his last day before leaving for new position with new company	4.0	001-23-53-5	112
August 10, 2008	Phone call with Bruce Hansen from IADG Re: EHP rumors and his contacts at the state IDED	0.4	001-23-53-5	112
August 17, 2008	Phone call with Com BeR distribution managers re: management strategic planning on October 8-8	2.0	001-23-53-5588-212	
August 18, 2008	Phone calls from Barb Smith at Americinn	0.2	001-23-53-5588-212	
August 25, 2008	Meeting with Garry Hintz at Sac County REC re: review of information provided by Dale Arends for retreat	0.0	001-23-53-5588-212	
August 28, 2008	Mitch Koestner at Beam Industries concerning outage situation and budget questions for 2007	3.5	001-23-53-5588-212	
August 29, 2008	Time in office reviewing spreadsheets provided by Steve Bohan related to window rates, contract rates, etc.	7.0	001-23-53-5588-212	
August 1-4, 2008	Various phone calls to/from Ken Wetzler and Vyrion Nelson concerning transformer outage at EHP	2.4	001-23-53-5588-212	

TOTAL HOURS

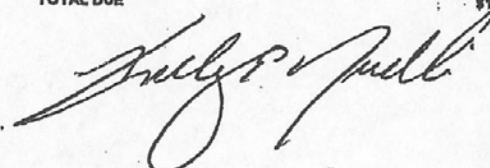
23.5

TOTAL DUE

\$1,667.50

Respectfully Submitted

Kelly E. Needles
Executive Vice President
The Energy Group Company, Inc.
2704 Easton Blvd.
Des Moines, Iowa 50317
PH: 515-584-1045
FAX: 515-584-1042
CELL: 515-250-5145
EMAIL: kellyneedles@theenergygroup.biz



**Reaudit and Special Investigation of the
City of Webster City**

Report on Reaudit and Special Investigation of the
City of Webster City

Copy of E-Mail Correspondence

From: Kelly Needles [mailto:kellyneedles@theenergygroup.biz]
Sent: Sunday, May 06, 2007 1:22 PM
To: Jim Vermeer
Subject: RE: KA Reimbursement

You are correct.

Kelly E. Needles
Executive Vice President
The Energy Group Co., Inc.
2704 Easton Blvd.
Des Moines, Iowa 50317
PH: 515-564-1045 FAX: 515-564-1042
CELL: 515-250-5145
EMAIL: kellyneedles@theenergygroup.biz
WEBSITE: www.theenergygroup.biz

-----Original Message-----

From: Jim Vermeer [mailto:jim.vermeer@cbpower.coop]
Sent: Friday, May 04, 2007 9:21 PM
To: Kelly Needles
Subject: KA Reimbursement

Kelly,

I would like for you to confirm that when you submitted
reimbursement for KA work at Webster City that you submitted only hours
worked for KA activities.

Please confirm,

Jim

Jim Vermeer
Vice President, Business Development
Corn Belt Power Cooperative

Report on Reaudit and Special Investigation of the
City of Webster City

Project Management Contracts
Riverview Early Childhood Center

THE ENERGY GROUP COMPANY, INC.
PROJECT AGREEMENT/PROFESSIONAL SERVICES

This agreement is made and entered into this 18th day of July, 2000 between Webster City Community Schools, ("Client") and The Energy Group ("TEG") for the purpose of delivering professional project management services. The following facility is included in this project:

Riverview Early Childhood Center

WHEREAS, Client is in need of professional project management services to assist the Client in the renovation of the above referenced facility; and

WHEREAS, Client has retained The Energy Group (TEG), 3125 Douglas Avenue, Suite 201, Des Moines, Iowa 50310-5365 to serve as Project Manager, and

WHEREAS, TEG is in the business of providing professional project management services and has the ability to manage renovation/improvement projects;

I. TEG will do or arrange for the following to be done:

- A. Arrange for architectural and engineering services for design development and design phases of project. Bring necessary resources to project to assure quality and timeliness.
- B. Provide specifications/guidelines packets to potential bidders and oversight to procurement process to assure:
 - 1. Iowa Administrative Code requirements for procurement are met.
 - 2. AIA Contract documents for construction are completed, filed, and submitted to owner/representatives for approval of contract award(s).
- C. Work with building staff and school district personnel to plan physical changes necessary to accommodate the need of the building occupants during design and construction.
- D. Assure that ADA compliance requirements are met as well as building code issues.
- E. Prepare monthly budget status, progress reports, and timeline. Present monthly reports to owner group and/or representatives to receive approval for each step/phase of the process.
- F. Assure bid/specifications packages are prepared and received in a timely fashion and that all prospective bidders are meeting project objectives.
- G. Define a time-line and scope of work for all project possibilities that meet owner/representatives' approval. This may include: Building remodeling, office locations, wall additions/subtractions, egress planning, ADA requirement review, requirement review for specific departments, HVAC needs, and electrical system recommendations.
- H. Provide single-source professional management for the entire project.

Report on Reaudit and Special Investigation of the
City of Webster City

Project Management Contracts
Riverview Early Childhood Center

- II. The Client is responsible for the following:
- A. Approve the selection and enter into a contract with the design firm(s).
 - B. Determine and approve the final scope of work.
 - 1. Approve the selection and enter into a contract agreement with the contractor(s). Pay all appropriate construction costs.
 - 2. Pay a project management fee not to exceed \$ 2,500.00 based on the following rate structure: Principals/Architects \$ 75/hr., Engineering \$ 65/hr., Support Staff \$ 35/hr.
- III. While TEG may arrange, through competitive bidding, for various contractors to carry out the above aspects of the work, TEG does not guarantee or warrant the work of any or all of said contractors awarded. In the event the Participant is not satisfied with the work performed by a contractor pursuant to the program, the Participant will look exclusively to that particular contractor, and not to TEG.
- V. Under no circumstances will TEG's liability for work performed under this agreement exceed the compensation paid to TEG for work performed under this agreement.
- VI. This agreement may be terminated by either party by providing certified letter of written notice. TEG will be compensated for hourly work completed to date if such action is taken for work performed up to that point of receipt of written notice. In case of complaint by either party, Hamilton County will be deemed as county of venue.
- VII. All work completed under this agreement will become property of Webster City Community School District or its agents and/or representatives.

IN WITNESS WHEREOF, The Energy Group and the Client have executed this Agreement and also accept as part of this document, the attached sections of CDBG required contract provisions (pages 173-176) as of the date first above written.

Participant:	<u>Webster City Comm. School District</u>	<u>The Energy Group</u>
Signature:	<u>Dennis C. Bahr</u>	<u>Kelly E. Needles</u>
Name:	<u>Dennis C. Bahr</u>	<u>KELLY E. NEEDLES</u>
Title:	<u>Supt of School</u>	<u>EXECUTIVE VICE PRESIDENT</u>

Report on Reaudit and Special Investigation of the
City of Webster City

Project Management Contracts
Webster City Day Care

THE ENERGY GROUP COMPANY, INC.
PROJECT AGREEMENT/PROFESSIONAL SERVICES

This agreement is made and entered into this 18 day of June, 2000 between
City of Webster City, ("Client") and The Energy Group ("TEG") for the
purpose of delivering professional project management services. The following facility is
included in this project:

Webster City Day Care

WHEREAS, Client is in need of professional project management services to assist the
Client in the renovation of the above referenced facility; and

WHEREAS, Client has retained The Energy Group (TEG), 3125 Douglas Avenue, Suite
201, Des Moines, Iowa 50310-5365 to serve as Project Manager, and

WHEREAS, TEG is in the business of providing professional project management
services and has the ability to manage renovation/improvement projects;

- I. TEG will do or arrange for the following to be done:
- A. Arrange for architectural and engineering services for design development and design phases of project. Bring necessary resources to project to assure quality and timeliness.
 - B. Provide specifications/guidelines packets to potential bidders and oversight to procurement process to assure:
 - 1. Iowa Administrative Code requirements for procurement are met.
 - 2. AIA Contract documents for construction are completed, filed, and submitted to owner/representatives for approval of contract award(s).
 - C. Work with building staff and school district personnel to plan physical changes necessary to accommodate the need of the building occupants during design and construction.
 - D. Assure that ADA compliance requirements are met as well as building code issues.
 - E. Prepare monthly budget status, progress reports, and timeline. Present monthly reports to owner group and/or representatives to receive approval for each step/phase of the process.
 - F. Assure bid/specifications packages are prepared and received in a timely fashion and that all prospective bidders are meeting project objectives.
 - G. Define a time-line and scope of work for all project possibilities that meet owner/representatives' approval. This may include: Building remodeling, office locations, wall additions/subtractions, egress planning, ADA requirement review, requirement review for specific departments, HVAC needs, and electrical system recommendations.
 - H. Provide single-source professional management for the entire project.

Report on Reaudit and Special Investigation of the
City of Webster City

Project Management Contracts
Webster City Day Care

- II. The Client is responsible for the following:
- A. Approve the selection and enter into a contract with the design firm(s).
 - B. Determine and approve the final scope of work.
 - 1. Approve the selection and enter into a contract agreement with the contractor(s). Pay all appropriate construction costs.
 - 2. Pay a project management fee not to exceed \$ 75,000.00 based on the following rate structure: Principals/Architects \$ 75/hr., Engineering \$ 65/hr., Support Staff \$ 35/hr.
- III. While TEG may arrange, through competitive bidding, for various contractors to carry out the above aspects of the work, TEG does not guarantee or warrant the work of any or all of said contractors awarded. In the event the Participant is not satisfied with the work performed by a contractor pursuant to the program, the Participant will look exclusively to that particular contractor, and not to TEG.
- V. Under no circumstances will TEG's liability for work performed under this agreement exceed the compensation paid to TEG for work performed under this agreement.
- VI. This agreement may be terminated by either party by providing certified letter of written notice. TEG will be compensated for hourly work completed to date if such action is taken for work performed up to that point of receipt of written notice. In case of complaint by either party, Hamilton County will be deemed as county of venue.
- VII. All work completed under this agreement will become property of Webster City Community School District or its agents and/or representatives.

IN WITNESS WHEREOF, The Energy Group and the Client have executed this Agreement and also accept as part of this document, the attached sections of CDBG required contract provisions (pages 173-176) as of the date first above written.

Participant: City of Webster City The Energy Group

Webster City Child Care Coalition

Signature: Teresa Ratschke Signature: [Signature]

Name: Teresa Ratschke Name: KELLY E. NEEDLES

Title: City Manager Title: EXECUTIVE VICE PRESIDENT

Report on Reaudit and Special Investigation of the
City of Webster City

Requests for Statement of Professional Qualifications



Webster City Child Care Coalition
"Building for their Future".

June 15, 2000

The Energy Group
Kelly E. Needles
3125 Douglas Ave., Suite 201
Des Moines, Iowa 50310
515-271-5072 FAX

Dear Mr. Needles:

Your firm is invited to submit its statement of professional qualifications for a review process that could lead to a construction management agreement for our project.

The City of Webster City has been awarded a \$350,000 Community Development Block Grant (CDBG) and a \$700,000 loan commitment from USDA Rural Development for the purpose of renovating an existing school into a childcare facility, and renovating an existing grocery store into a child care facility, community meeting facility, and office facility for related agencies. With this financing and community fundraising, it is anticipated that the projects will cost approximately \$1,400,000. The project budget is based on the cost of remodeling, professional and legal fees, and site acquisition and development. CDBG requirements typically specify that professional services be obtained by a "Request for Qualifications" method. It is anticipated that the successful firm will be requested to submit a Complete Architectural Report and bidding documents for the school renovation project, and documents for the grocery store remodeling if all parties are happy with the school renovation project.

Sincerely,

A handwritten signature in cursive script that reads "Jaclyn Lea Yetmar". The signature is written in dark ink and is positioned above the printed name.

Jaclyn Lea Yetmar
Center Director
RIVERVIEW EARLY CHILDHOOD CENTER

Report on Reaudit and Special Investigation of the
City of Webster City

Requests for Statement of Professional Qualifications



Webster City Childcare Coalition

"Building for their future."

June 15, 2000

Webster City Area Business and Industry
Mr. Loren Schulz
By fax: 515.832.9951

Dear Mr. Schulz:

Your firm is invited to submit its statement of professional qualifications for a review process that could lead to a construction management agreement for our project.

The City of Webster City has been awarded a \$350,000 Community Development Block Grant (CDBG) and a \$700,000 loan commitment from USDA Rural Development for the purpose of renovating an existing school into a childcare facility, and renovating an existing grocery store into a childcare facility, community meeting facility and office facility for related agencies. With this financing and community fund raising, it is anticipated that the projects will cost approximately \$1,400,000. The project budget is based on the cost of remodeling, professional and legal fees and site acquisition and development.

CDBG requirements typically specify that professional services are obtained by a "Request for Qualifications" method. It is anticipated that the successful firm will be requested to submit a complete architectural report and bidding documents for the school renovation project and documents for the grocery store remodeling if all parties are happy with the school renovation project.

Sincerely,

Jaclyn Lea Yetmar
Center Director
Riverview Early Childhood Center

2490 Briggs Woods Trail ♦ P.O. Box 474 ♦ Webster City, Iowa 50595
(515) 832-9575 ♦ Fax: (515) 832-9578 ♦ E-mail: hamcseed@ncn.net

Report on Reaudit and Special Investigation of the
City of Webster City

Requirements for Statements of Qualification

Your Statement of Qualifications should be directed to the following by noon on June 23, 2000:

Berniece Hostetler, Director
Hamilton County S.E.E.D.
P.O. Box 474
Webster City, Iowa 50595
(phone 515-832-9575, fax 515-832-9578)

Any questions should be directed to
Jaci Yetmar
Director, RIVERVIEW EARLY CHILDHOOD CENTER
(phone 515-832-9240)

The Statement of Qualifications should address:

- Firm Name, address and brief history
- Services to be provided by the firm, and services to be provided by outside consultants
- Typical arrangements for licensed architectural and professional engineering services
- Related experiences in the design and construction administration of child care facilities
- Experience in major renovations and remodeling of existing buildings
- Experience in working with projects funded by CDBG and USDA Rural Development
- Experience in managing project through the governmental bidding process
- Ability to meet schedules, deadlines, and control costs/meet budgets
- Typical fees structures to direct the major renovations and remodeling of existing buildings
- Ability to communicate with a large and varied planning committee
- Additional information that would be helpful for the planing group to make an informed architectural decision

Report on Reaudit and Special Investigation of the
City of Webster City

Requirements for Statements of Qualification

Your statement of qualifications should be directed to the following by noon on June 23, 2000:

Berniece Hostetler
Hamilton County S.E.E.D.
P.O. Box 474
Webster City, Iowa 50595
Phone: 515.832.9575
Fax: 515.832.9578

Any questions should be directed to:

Jaci Yetmar Director
Riverview Early Childhood Center
Phone: 515-832.9240

The Statement of Qualifications should address:

- Firm Name, address and brief history
- Services to be provided by the firm and services to be provided by outside consultants
- Typical arrangements for licensed architectural and professional engineering services
- Related experiences in the design and construction administration of childcare facilities
- Experience in major renovations and remodeling of existing buildings
- Experience in working with projects funded by CDBG and USDA Rural Development
- Experience in managing projects through the governmental bidding process
- Ability to meet schedules, deadlines and control/meet budgets
- Typical fees structures to direct the major renovations and remodeling of existing buildings
- Ability to communicate with a large and varied planning committee
- Additional information that would be helpful for the planning group to make an informed architectural decision

2490 Briggs Woods Trail ♦ P.O. Box 474 ♦ Webster City, Iowa 50595
(515) 832-9575 ♦ Fax: (515) 832-9578 ♦ E-mail: hamcseed@ncn.net

Report on Reaudit and Special Investigation of the
City of Webster City

Response from The Energy Group

The Energy Group

3125 Douglas Avenue, Suite 201
Des Moines, Iowa 50310
515/271-5070
FAX: 515/271-5072

June 16, 2000

Webster City Child Care Coalition
Ms. Berniece Hostetler, Director
Hamilton County S.E.E.D.
P.O. Box 474
Webster City, Iowa 50595

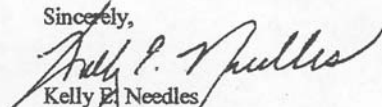
Dear Berniece:

I wish to thank you and the other coalition members for the opportunity to propose on this project. I believe that the team we have assembled can provide you with a great set of resources to complete your project on time and within budget.

I hope that the attached proposal demonstrates our ability to work with facilities in the public sector. While we have no direct experience working with the USDA we are intimately familiar with public bidding requirements, financing, and all pertinent sections of the Iowa Administrative Code as they apply to projects of this nature.

Please feel free to contact me with any specific questions you might have. I welcome the chance to work with your group and regardless of our involvement wish you luck as you move forward.

Sincerely,



Kelly E. Needles
Executive Vice President

Report on Reaudit and Special Investigation of the
City of Webster City

Response from The Energy Group

Proposed Project Fee

The proposed project fee for the combined Riverview School renovation and the Hy-Vee project based upon having access to previously completed preliminary design work is as follows:

Not-to-exceed amount of: \$74,500.00

This rate is based upon the following break-out of hourly rates:

Principal in charge: \$75.00 per hour

Architecture: \$65.00 per hour

Engineering: \$65.00 per hour

Support Staff: \$35.00 per hour

This includes all expenses and oversight of construction project through completion. Primary point of contact for ownership group shall be Principal-in-charge however it may be critical to involve architect and engineer in meeting especially after the renovation project begins to provide technical input to selected contractors performing work.

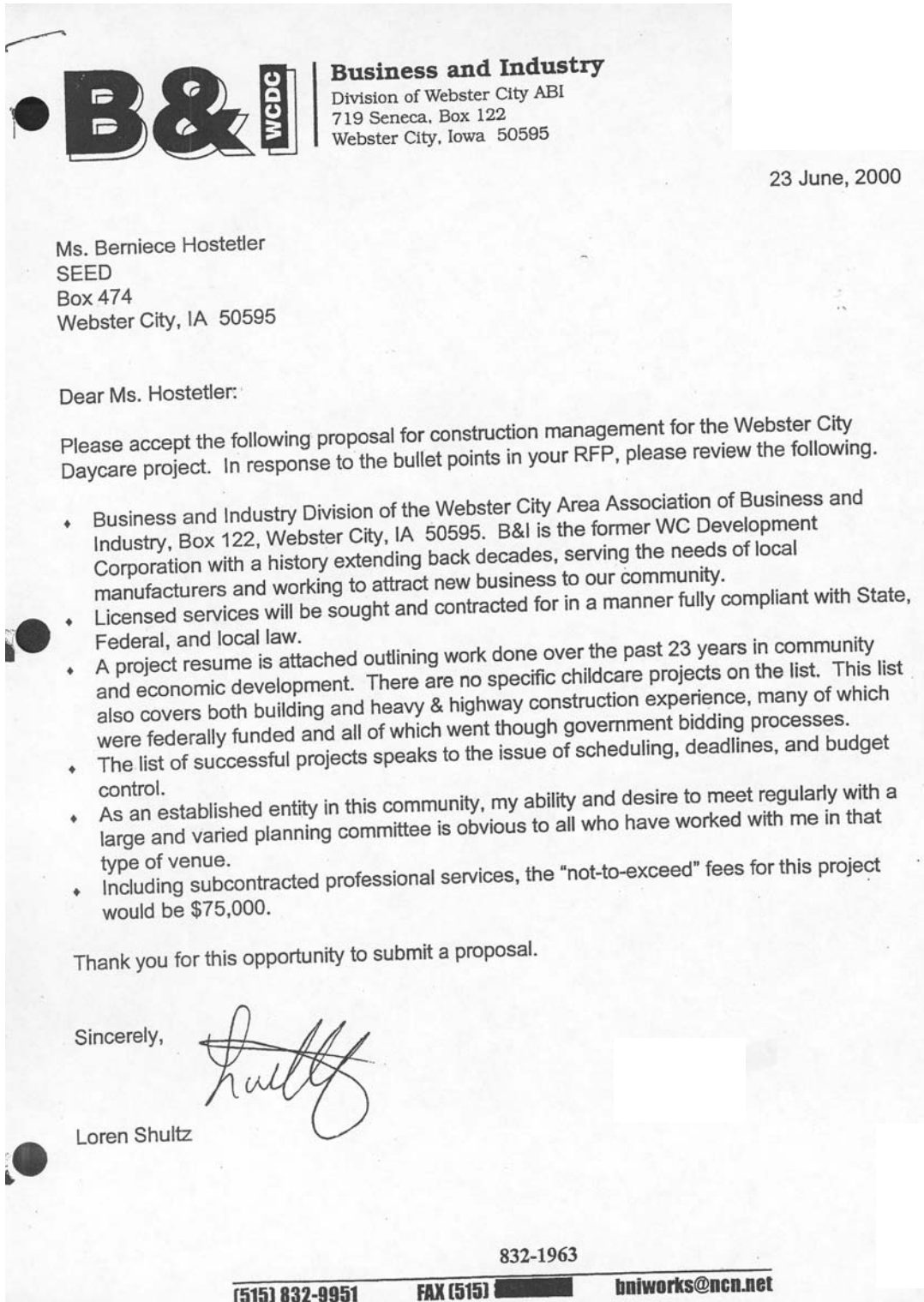
Keep in mind that our overall philosophy is to provide value-added services to your coalition. Our costs may well "come in under" the proposed not-to-exceed figure but this should be the dollar value assigned in the project budget.

Structure of contract documents can vary from client to client but my recommendation would include a single professional services agreement with The Energy Group and architecture and engineering staff will serve as a sub-contractor to The Energy Group.

Project team is available and ready to give your project priority immediately.

Report on Reaudit and Special Investigation of the
City of Webster City

Response from Loren Shultz, dba Business and Industry



Report on Reaudit and Special Investigation of the
City of Webster City

Response from Loren Shultz, dba Business and Industry

LOREN JOE SHULTZ

Certified Economic Developer
825 Cedar, Webster City, IA 50595
515-832-6278
maryjo@ncn.net

Career Summary

Active in community and economic development since 1977. Planned, administered, or assisted with approximately ninety projects in five states. Prior to 1977 primarily self employed/employed in marketing positions.

1993 To Present Development Director, Webster City ABI, a private sector, subscriber based non-profit. Primary role is working with new and existing manufacturers to stimulate new jobs and investment. Ancillary work includes housing and workforce development activities and currently, securing broadband Internet access for the area.

1989 to 1993 Economic Development Director, City of Maquoketa, Iowa. Municipal position in support of manufacturing jobs and investment. Ancillary work included grant writing and administration, housing and infrastructure development, project design and engineering, other municipal administrative duties.

1987 to 1989 Yaggy Colby Associates, Mason City, Iowa: Industrial and community development consultant for local governments and businesses throughout upper Midwest.

1981 to 1987 City of Maquoketa, Iowa: Assistant City Manager/Community Development Director. All manner of community and economic development plus general administration, planning and zoning, grant writing, public works design, contract management, project inspections, etc.

1977 to 1981 East Central Intergovernmental Association, Dubuque, Iowa: Quasi-public consulting group serving 75 local governments in five counties. Primary duties were community and economic development specialist on a "circuit riding" basis.

Education

Bachelor of Science in Public Administration, Upper Iowa University, Fayette, Iowa.

Affiliations/Honors

Professional Developers of Iowa, Past President
Member, American Economic Development Council, I
Certified Economic Developer
Outstanding Supervisor of the Year, Iowa Summer Yo
Past Treasurer, League of Women Voters of Iowa
Member, Hamilton County League of Women Voters
President, Webster City New Homes

Of Note

Volunteer International Election Supervisor, Bosnia-H

14 ENVIRONMENTAL L.P.
800-693-0060

Since this is so obviously
bogus, I hope you use it
only as a last resort and I
EXPECT to be protected from
embarrassment
LJS

**Reaudit and Special Investigation of the
City of Webster City**

Report on Reaudit and Special Investigation of the
City of Webster City

Sample Billing to the City from The Energy Group for
Day Care Project Management

The Energy Group

2704 Easton Blvd.
Des Moines, Iowa 50317
515/564-1045
FAX: 515/564-1042

April 2, 2002

City of Webster City
Attn. Brian Fitzpatrick
400 Second Street
P.O. Box 217
Webster City, Iowa 50595-0217

INVOICE

Project: Design Services – Webster City Childcare

Total Fee	\$ 78,000.00
Earned to Date	<u>\$ 61,655.00</u>
Less Previous Billings	(\$ 54,555.00)
Total Amount Due	\$ 7,100.00

Total Amount Due \$ 7,100.00

Design Services - WCC Childcare
508-23-36-5393-212

✓

4/16/02
ck 54123
\$ 14,770.00

Report on Reaudit and Special Investigation of the
City of Webster City

Inspector's Daily Logs

Inspector's Daily Log		Owner _____	Consultant <u>X</u>
		Architect _____	Field Rep. _____

Project: <u>Webster City Child Care Center</u>	Field Report #: <u>WC0201-0007</u>
Contract: <u>WC0201</u>	Architect's Project #: _____

Date/Time: 10/11/02 9:00 AM Weather: Clear skies, windy Temp. Range: 48-75° F
 Est. % Completion: _____ Conformance with schedule (+/-): _____

Work in Progress: <u>Roofing demolition - removal of roofing materials and</u> <u>insulation. Interior demolition work - lighting and</u> <u>ceiling grid.</u> _____ _____ _____	Present at Site: <u>Webster City Roofing (5 workers, 1 foreman)</u> <u>Peterson Construction (3 workers)</u> _____ _____ _____
---	--

Observations:
Approximately 40% of the overall roof decking has been exposed. Same jobsite conditions as previous day.

Items to Verify: _____ _____ _____ _____	Information or Action Required: _____ _____ _____ _____
---	--

Attachments:

Report By: *Richard Conolly*

Report on Reaudit and Special Investigation of the
City of Webster City

Inspector's Daily Logs

Inspector's Daily Log		Owner _____	Consultant <u>X</u>
		Architect _____	Field Rep. _____

Project: <u>Webster City Child Care Center</u>	Field Report #: <u>WC0201-0012</u>
Contract: <u>WC0201</u>	Architect's Project #: _____

Date/Time: 10/18/02 1:30 PM Weather: Overcast, windy, no precip. Temp. Range: 37-61° F
 Est. % Completion: _____ Conformance with schedule (+/-): _____

Work in Progress:	Present at Site:
<u>Roofing demolition - removal of roofing materials and</u>	<u>Webster City Roofing (5 workers, 1 foreman and</u>
<u>insulation. Interior demolition work - partition walls</u>	<u>Steve Kehoe)</u>
<u>and ductwork.</u>	<u>Peterson Construction (3 workers, Joel and Gerald</u>
_____	<u>Peterson)</u>
_____	<u>K & H Mechanical (1 foreman)</u>
_____	_____

Observations:
Approximately 85% of the overall roof decking has been exposed. Those areas that can be adequately viewed
would indicate that 15-25% (approximately 30' x 120') appears to be structurally sound. The balance of the
decking, primarily the entire perimeter of the roof, shows signs of significant corrosion due to moisture and is
in need of replacement. If any of the roof decking is to be salvaged, additional testing will be required to
ensure that the material exhibits adequate strength to secure the roof.

Items to Verify:	Information or Action Required:
<u>Re-evaluate roof drain design with architect & engineer.</u>	_____
<u>Capacity of electrical switch gear & transformer needed</u>	_____
<u>Verify location of transformer (code restrictions?)</u>	_____
_____	_____

Attachments:

Report By: *Richard Corliss*

Report on Reaudit and Special Investigation of the
City of Webster City

Inspector's Daily Logs

Inspector's Daily Log

Owner _____ Consultant X
Architect _____ Field Rep. _____

Project: Webster City Child Care Center Field Report #: WC0201-0014
Contract: WC0201 Architect's Project #: _____

Date/Time: 10/22/02 10:00 AM Weather: Overcast, no precip. Temp. Range: 28-41° F
Est. % Completion: _____ Conformance with schedule (+/-): _____

Work in Progress:
Roofing demolition - removal of roofing materials and insulation. Interior demolition work - meat department

Present at Site:
Webster City Roofing (5 workers, 1 foreman)
Peterson Construction (3 workers)

Observations:
Roof demolition appears to be complete with all roof decking exposed. The stem packing around the water valve on sprinkler supply system is leaking and needs to be repaired or replaced. Small leak does not pose any immediate concerns.

Items to Verify: _____ **Information or Action Required:** _____

Attachments: _____

Report By: *Richard Bailey*

Report on Reaudit and Special Investigation of the
City of Webster City

Inspector's Daily Logs

Inspector's Daily Log	Owner _____	Consultant <u>X</u>
	Architect _____	Field Rep. _____

Project: <u>Webster City Child Care Center</u>	Field Report #: <u>WC0201-0019</u>
Contract: <u>WC0201</u>	Architect's Project #: _____

Date/Time: 10/29/02 8:00 AM Weather: Overcast, light precip. Temp. Range: 39-45° F
 Est. % Completion: _____ Conformance with schedule (+/-): _____

Work in Progress:	Present at Site:
<u>Concrete slab cutting in preparation of removal.</u>	<u>Webster City Roofing (2 workers and Steve Kehoe)</u>
<u>Demolition of atrium (removal of glass) beginning.</u>	<u>Peterson Construction (3 workers, Joel and Gerald</u>
<u>Installation of steel roof decking.</u>	<u>Peterson)</u>
_____	_____
_____	_____
_____	_____

Observations:
City utility workers have still been unable to locate main water valve and turn off water supply to building.
Workers have insulated sprinkler water main piping in an attempt to prevent freezing. North portion of glass
has been removed from atrium frames. Steel decking is being positioned and secured to steel bar joists with
screws. Decking panels will be welded for added strength. Workers have begun to cut the concrete slab in
preparation of the concrete removal for underfloor plumbing.

Items to Verify:	Information or Action Required:
<u>Sprinkler piping is intact, but drops and heads have</u>	_____
<u>been removed and capped.</u>	_____
_____	_____
_____	_____

Attachments:

Report By: Richard Conklin

Report on Reaudit and Special Investigation of the
City of Webster City

Inspector's Daily Logs

Inspector's Daily Log	Owner _____ Architect _____	Consultant <u> X </u> Field Rep. _____	
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Project: <u>Webster City Child Care Center</u>	Field Report #: <u>WC0201-0019 34</u>
Contract: <u>WC0201</u>	Architect's Project #: _____

Date/Time: <u>11/19/02 3:45 PM</u>	Weather: <u>Overcast</u>	Temp. Range: <u>29-36</u>	
Est. % Completion: _____	Conformance with schedule (+/-): _____		

Work in Progress: <u>NONE</u> _____ _____ _____ _____ _____	Present at Site: _____ _____ _____ _____ _____
--	--

Observations:

Items to Verify: <u>Sprinkler piping is intact, but drops and heads have been removed and capped.</u> _____ _____	Information or Action Required: _____ _____ _____
---	---

Attachments:

Report By: *Kelly S. Smith*

Report on Reaudit and Special Investigation of the
City of Webster City

Inspector's Daily Logs

Inspector's Daily Log	Owner _____	Consultant <u> X </u>
	Architect _____	Field Rep. _____

Project: <u>Webster City Child Care Center</u>	Field Report #: <u>WC0201-00133</u>
Contract: <u>WC0201</u>	Architect's Project #: _____

Date/Time: 5/9/03 4:15 PM Weather: Partly Sunny Temp. Range: 54
 Est. % Completion: _____ Conformance with schedule (+/-): _____

Work in Progress: <u>Flooring subcontractor on site</u> <u>Installing cabinetry</u> <u>Floor leveling and some tiling underway</u> <u>2 ladies on site painting</u> 	Present at Site: <u>Head count determined 8 individuals on job site</u>
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Observations:

City is getting ready to set new
pad for electrical transformer.

Items to Verify: 	Information or Action Required:
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Attachments:

Report By: Vicki Fortune

Report on Reaudit and Special Investigation of the
City of Webster City

Inspector's Daily Logs

Inspector's Daily Log	Owner _____	Consultant <u> X </u>
	Architect _____	Field Rep. _____

Project: <u>Webster City Child Care Center</u>	Field Report #: <u>WC0201-00125</u>
Contract: <u>WC0201</u>	Architect's Project #: _____

Date/Time: <u>5/28/03 4:00 PM</u>	Weather: <u>Overcast</u>	Temp. Range: <u>58</u>
Est. % Completion: _____	Conformance with schedule (+/-): _____	

Work in Progress: <u>Plumbers on-site</u> <u>Installing cabinetry</u> <u>Sheet-rock and taping underway</u> 	Present at Site: <u>Head count determined 10 individuals on job site</u>
---	--

Observations:

City is getting ready to set new
pad for electrical transformer.

Items to Verify: 	Information or Action Required:
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Attachments:

Report By: Vicki Fortune

Report on Reaudit and Special Investigation of the
City of Webster City

Inspector's Daily Logs

Inspector's Daily Log	Owner _____	Consultant <u> X </u>	
	Architect _____	Field Rep. _____	

Project: <u>Webster City Child Care Center</u>	Field Report #: <u>WC0201-00126</u>
Contract: <u>WC0201</u>	Architect's Project #: _____

Date/Time: 5/29/03 4:00 PM Weather: Overcast Temp. Range: 58
 Est. % Completion: _____ Conformance with schedule (+/-): _____

Work in Progress: <u>Plumbers on-site</u> <u>Installing cabinetry</u> <u>Sheet-rock and taping underway</u> 	Present at Site: <u>Head count determined 10 individuals on job site</u>
---	--

Observations:

City is getting ready to set new
pad for electrical transformer.

Items to Verify: 	Information or Action Required:
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Attachments:

Report By: Vicki Fortune

Report on Reaudit and Special Investigation of the
City of Webster City

Inspector's Daily Logs

Inspector's Daily Log	Owner _____	Consultant <u> X </u>
	Architect _____	Field Rep. _____

Project: <u>Webster City Child Care Center</u>	Field Report #: <u>WC0201-00127</u>
Contract: <u>WC0201</u>	Architect's Project #: _____

Date/Time: 5/30/03 4:00 PM Weather: Overcast Temp. Range: 58
 Est. % Completion: _____ Conformance with schedule (+/-): _____

Work in Progress:	Present at Site:
<u>Plumbers on-site</u>	<u>Head count determined 10 individuals on job site</u>
<u>Installing cabinetry</u>	_____
<u>Sheet-rock and taping underway</u>	_____
_____	_____
_____	_____

Observations:
City is getting ready to set new
pad for electrical transformer.

Items to Verify:	Information or Action Required:
_____	_____
_____	_____
_____	_____
_____	_____

Attachments:

Report By: Vicki Fortune

Report on Reaudit and Special Investigation of the
City of Webster City

Inspector's Daily Logs

Inspector's Daily Log	Owner _____	Consultant <u> X </u>	
	Architect _____	Field Rep. _____	

Project: <u>Webster City Child Care Center</u>	Field Report #: <u>WC0201-00128</u>
Contract: <u>WC0201</u>	Architect's Project #: _____

Date/Time: 6/1/03 10:30 AM Weather: Overcast Temp. Range: 57
 Est. % Completion: _____ Conformance with schedule (+/-): _____

Work in Progress: <u>Plumbers on-site</u> <u>Installing cabinetry</u> <u>Sheet-rock and taping underway</u> <u>2 ladies on site painting</u> 	Present at Site: <u>Head count determined 12 individuals on job site</u>
---	--

Observations:

City is getting ready to set new
pad for electrical transformer.

Items to Verify: 	Information or Action Required:
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Attachments:

Report By: Vicki Fortune

Report on Reaudit and Special Investigation of the
City of Webster City

Inspector's Daily Logs

Inspector's Daily Log	Owner _____ Architect _____	Consultant <u> X </u> Field Rep. _____	
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Project: <u>Webster City Child Care Center</u>	Field Report #: <u>WC0201-00129</u>
Contract: <u>WC0201</u>	Architect's Project #: _____

Date/Time: <u>6/2/03 3:00 PM</u>	Weather: <u>Overcast</u>	Temp. Range: <u>56</u>
Est. % Completion: _____	Conformance with schedule (+/-): _____	

Work in Progress: <u>Plumbers on-site</u> <u>Installing cabinetry</u> <u>Sheet-rock and taping underway</u> <u>2 ladies on site painting</u> _____ _____	Present at Site: <u>Head count determined 10 individuals on job site</u> _____ _____ _____ _____
---	--

Observations:
City is getting ready to set new
pad for electrical transformer.

Items to Verify: _____ _____ _____ _____	Information or Action Required: _____ _____ _____ _____
---	--

Attachments:

Report By: Vicki Fortune

Report on Reaudit and Special Investigation of the
City of Webster City

Inspector's Daily Logs

Completion date 6/9

Inspector's Daily Log

Owner _____ Consultant X
Architect _____ Field Rep. _____

Project: <u>Webster City Child Care Center</u>	Field Report #: <u>WC0201-00130</u>
Contract: <u>WC0201</u>	Architect's Project #: _____

Date/Time: 6/5/03 4:30 PM Weather: Overcast Temp. Range: 56
Est. % Completion: _____ Conformance with schedule (+/-): _____

Work in Progress: <u>Front entry completed</u> <u>Installing cabinetry</u> <u>Sheet-rock and taping underway</u> <u>2 ladies on site painting</u> 	Present at Site: <u>Head count determined 8 individuals on job site</u>
--	---

Observations:
City is getting ready to set new
pad for electrical transformer.

Items to Verify: 	Information or Action Required:
---	--

Attachments:

Report By: Vicki Fortune

Report on Reaudit and Special Investigation of the
City of Webster City

Billings to the City from The Energy Group with
Repeating Explanations

THE ENERGY GROUP

2704 Easton Boulevard
Des Moines, Iowa 50317
PH: 515/564-1045
FAX: 515/564-1042

September 30, 2004

City of Webster City
Attn: Teresa Rotschafer, City Manager
400 Second Street
P.O. Box 217
Webster City, Iowa 50595

Economic Development 32.50
601-23-53-5588-212

Consulting Services Mgmt.
601-23-36-5923-212

Natural Gas Comm. 747.50
601-23-53-5588-212

Key Acct. Mgmt 5135.00
601-23-53-5588-212

Wm Belt Key Acct Reimbursement \$5337.50 .00
INVOICE 601-23-53-5588-212

Professional Services

Key Account Management

September 2, 2004 Key Account meeting in Humboldt 7.5 hours

September 3, 2004 Work on Window Rate/Options to replace coincidental peak
And Large Power Off-Peak Rates 9.0 hours

September 6, 2004 Update meeting with Teresa Rotschafer and Kasie Doering 1.5 hours

September 7, 2004 Follow-up e-mails/phone call with Mark Gillette on various items
1.0 hours

September 8, 2004

September 9, 2004 Doug Mechaelsen to review farm bill legislation
hours 2.0

September 10, 2004 Collette Bertran at Webster City Day Care Center
hours 2.0

Report on Reaudit and Special Investigation of the
City of Webster City

Billings to the City from The Energy Group with
Repeating Explanations

September 13, 2004	Lunch meeting with Kent Bailey on EHP marketing project	1.5 hours
September 14, 2004	Webster City Natural Gas Commission	6.0 hours
September 15, 2004	Phone conversation with Jim Vermeer on Marketing plan	.5 hours
	Phone conversation with Jennifer Asa on ABI marketing plan	1.0 hours
	Follow-up with Webster City Customer Meats on PCA	2.5 hours
September 16, 2004	Conference Call with Gary Groves and Mike May	3.5 hours
September 17, 2004	Jennifer Asa at old Post Office collecting data for energy modeling project (to assist with utilities budgeting for Webster City ABI)	1.5 hours
September 20, 2004	Stephanie Duckert- Corn Belt Power Cooperative	2.0 hours
	Misc. work on Customer Appreciation Event	4.5 hours
September 21, 2004	Teresa Rotschafer, Mark Gillette, Gene Gray at City Hall	2.0 hours
	Phone calls with Craig Christensen/Corn Belt office after Councilmen's visit to Corn Belt	1.0 hours
September 22, 2004	Questline newsletter review/preparing answers to questions	2.0 hours
	Variety of phone call to Corn Belt managers on Window Rate, Interruptible rate alternatives	5.5 hours
September 23, 2004	Key Account meeting At Corn Belt	11.0 hours
	Phone call with Craig Codner from Butler County REC	.25 hours
	Conference call with Jim Vermeer	.25 hours
	Phone call with Dale Arends from Corn Belt on Window Rate	.25 hours
September 24, 2004	Data Collection at Old Post Office for Jennifer Asa	3.0 hours
September 27, 2004	Arrow-Acme meeting preparation- phone calls with Corn Belt, Dale Arends, Jim Vermeer, Dan Meyer	2.5 hours
September 29, 2004	Brief meeting with Ken Wetzler on conference and energy audit	

Report on Reaudit and Special Investigation of the
City of Webster City

Billings to the City from The Energy Group with
Repeating Explanations

software	.25 hours
Meeting with Teresa Rotschafer and Kasie Doering to review water/waste water energy efficiency workshop and to deliver notebooks and software picked up at conference for the City.	2.0 hours
Brief discussion with Jack Foster RE: Key Account Rates	.5 hours
Conference call with Teresa Rotschafer, Kasie Doering, City Bond\ Attorney on patronage loan funds	1.0 hours
September 30, 2004 Luncheon meeting with Arrow-Acme representatives on expansion project and status of loan	2.0 hours
Sub-Total Hours=	79.0 hours
<u>Economic Development</u>	
September 27, 2004 Short meeting with Jennifer Asa to Recap Mid-Iowa Economic Development Association State	.5 hours
Sub-Total Hours=	.5 hours
<u>Natural Gas Commission</u>	
September 8, 2004 Natural Gas Discussions with Gary Groves, Mike May, Teresa Rotschafer	2.0 hours
September 14, 2004 Update meeting with Teresa Rotschafer	1.0 hours
Update call with Attorney Mike May	.5 hours
September 16, 2004 Natural Gas Due Commission Meeting- negotiating with Gary Groves, Mike May (Standing by for questions)	4.0 hours
September 24, 2004 Lunch in Des Moines with Attorney Mike May to review proposal to be submitted to Aquila	1.0 hours
September 25, 2004 Work to prepared one page summary for Attorney Mike May to submit to Aquila	2.0 hours
September 27, 2004 Phone calls with Teresa Rotschafer and Attorney Mike May to prepare proposal/offer for Aquila (re-confirm time line)	1.0 hours
Sub-Total Hours=	11.5 hours

Report on Reaudit and Special Investigation of the
City of Webster City

Billings to the City from The Energy Group with
Repeating Explanations

TOTAL HOURS=		91.0 hours
Total Hourly Due=	91.0 @ \$65/hour =	\$5,915.00
TOTAL DUE=		\$5,915.00

Report on Reaudit and Special Investigation of the
City of Webster City

Billings to the City from The Energy Group with
Repeating Explanations

THE ENERGY GROUP

2704 Easton Boulevard
Des Moines, Iowa 50317
PH: 515/564-1045
FAX: 515/564-1042

Economic Development 601-23-53-5588-2
-0-

October 31, 2004

Consulting Services Mgmt 601-23-36-5923-212
-0-

City of Webster City
Attn: Teresa Rotschafer, City Manager
400 Second Street
P.O. Box 217
Webster City, Iowa 50595

Natural Gas Commission 601-23-53-5588-212
2.75 hrs. @ \$65 178.75

Key Acct. Mgmt. 601-23-53-5588-212

85 @ \$6.00 @ \$65

5590.00 5525.00

(Corn Belt Key Acct. Reimbursement. 95315.00)

INVOICE

Professional Services

Key Account Management

October 1, 2004	Key Account Rate Work/Analysis at office in DSM	5.5 hours
October 4, 2004	Donna Downs/Greg Milligan phone call	.5 hours
	Various work items at office in Des Moines including electric rate comparison update for presentation to Webster City	3.5 hours
	Phone call from a Mr. Huisinga on geothermal heat pumps	1.0 hours
	Phone call with Marathon Water Heater for Customer Appreciation Event	.5 hours
October 5, 2004	Special Manager's meeting at Corn Belt to review new IR rate	4.5 hours
	De-brief with Teresa and Kasie at Webster City	1.0 hours
	Phone call with Dave Orton on Customer Appreciation Event	.5 hours
	Prairie Energy phone call on Customer Appreciation Event	.5 hours
October 6, 2004	Strategic Energy Planning at Humboldt/Webster City	6.0 hours
	Various phone calls (including Kent Bailey & Teresa Rotschafer on Customer appreciation event)	2.0 hours
	Donna Downs Phone Call	.25 hours
	Bob Josten Phone call- Arrow Acme	.5 hours

Report on Reaudit and Special Investigation of the
City of Webster City

Billings to the City from The Energy Group with
Repeating Explanations

October 7, 2004	Adam Anderson at Mertz Engineering- Energy Audit	5.0 hours
	Meeting with Teresa Rotschafer on Seneca Foundry Rate	1.0 hours
	Phone call with Steve Debner, Freeman Fox, Greg Anderson, on customer appreciation event	.5 hours
October 8, 2004	Office in Webster City/DSM on new IR Rate	2.0 hours
	Donna Downs Phone Call	.25 hours
	Prepare files for Bob Josten- Arrow Acme	2.0 hours
	Deliver to 801 Grand for Bob Josten	1.0 hours
October 11, 2004	Doug Larson- Power System Engineering meeting at Corn Belt Power	6.0 hours
	Donna Downs Phone Call	.25 hours
October 12, 2004	Customer Appreciation Event Mailing Preparation	5.0 hours
	Phone calls- vendor arrangements for customer appreciation	2.0 hours
	Phone call (3) with Phil Strohbehn from Seneca Foundry	1.0 hours
	Phone call and meeting with Corn Belt staff (Lynn Miller) on availability of on-line information for Seneca Foundry	1.5 hours
	Donna Downs Phone Call- Arrow-Acme	.25 hours
October 13, 2004	Doug Mechaelsen/Curt Bennethum Phone Call	1.0 hours
	Phone call with Teresa Rotschafer on EHP lay-offs	.5 hours
	Phone call from Jennifer Asa RE: EHP lay-offs	.5 hours
October 14, 2004	Phone conversation with Jim Vermeer on Marketing plan	.5 hours
	Phone conversation with Jennifer Asa on ABI marketing plan	1.0 hours
	Phone call from Jim Vermeer on Arrow Acme	.25 hours
	Phone call from Donna Downs on needing storage space for new Equipment	.25 hours
	Phone call(s) to/from Greg Tasler on availability of Tasler West building for Arrow Acme	.25 hours
	Phone call to Jennifer Asa on availability of spec. bldg. For use by Arrow Acme	.25 hours
	Phone call to Jim Sharkey to set up meeting with he and Greg Tasler	.25 hours
October 15, 2004	Donna Downs Phone Call	.5 hours
	Greg Milligan Phone Call	.5 hours
	Phone calls with IADG and Corn Belt on VanTec award	.5 hours
	Phone call with Todd Foss from Prairie Energy	.25 hours
October 18, 2004	Jim Bergesen, Jack Foster, Teresa Rotschafer at City Hall	1.5 hours
	Wayne Jackson, Teresa Rotschafer on Arrow Acme	1.0 hours
	Mark Gillette, Gene Gray, Teresa Rotschafer on Arrow Acme	

Report on Reaudit and Special Investigation of the
City of Webster City

Billings to the City from The Energy Group with
Repeating Explanations

	Meeting with Donna Downs, Teresa Rotschafer at Arrow-Acme	1.0 hours
		1.0 hours
October 19, 2004	Stephanie Duckert- Corn Belt Power Cooperative	2.0 hours
	Misc. work on Customer Appreciation Event	4.5 hours
October 20, 2004	Phone calls with Craig Christensen/Corn Belt office after Councilmen's visit to Corn Belt	1.0 hours
October 21, 2004	Questline newsletter review/preparing answers to questions	2.0 hours
	Variety of phone call to Corn Belt managers on Window Rate, Interruptible rate alternatives	5.5 hours
October 26, 2004	Donna Downs/Greg Milligan phone call- Arrow Acme	.5 hours
October 27, 2004	Phone call with Donna Downs- Arrow Acme	.25 hours
	Web-Cast/Conference Call with PSE on new IR rate	1.5 hours
October 28, 2004	Phone call with Donna Downs- Arrow Acme	.25 hours
October 29, 2004	Phone call with Donna Downs- Arrow Acme	1.0 hours
	Phone call with Dale Arends on Corn Belt Manager's meeting to review agenda matter due to me being absent	1.5 hours
	Craig Codner- Butler County REC- Key Acct. Issues	1.0 hours
Sub-Total Hours=		36.0 hours
<u>Economic Development</u>		
No Hours to Report for Reimbursement		
<u>Natural Gas Commission</u>		
October 7, 2004	Discussions with Teresa Rotschafer on status of commission negotiations	.5 hours
October 25, 2004	Phone call with Phil Voge on negotiations	.5 hours
October 27, 2004	Review of letter sent by Aquila to Commission Chairperson	1.5 hours
October 29, 2004	Phone call with Attorney Mike May on pending meeting	.25 hours

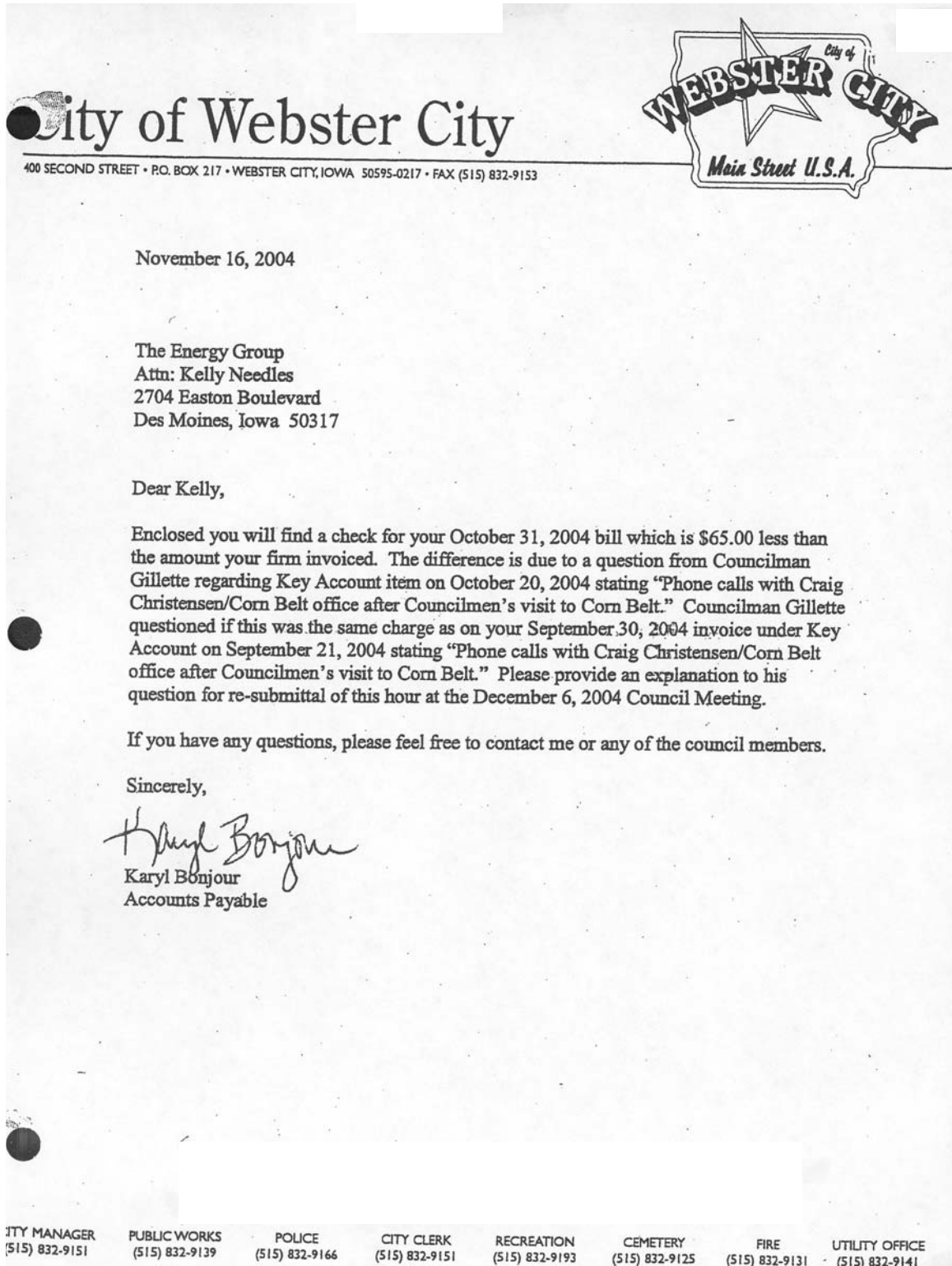
Report on Reaudit and Special Investigation of the
City of Webster City

Billings to the City from The Energy Group with
Repeating Explanations

Sub-Total Hours=		2.75 hours
TOTAL HOURS=		
Total Hourly Due=	88.75 @ \$65/hour =	\$5,768.75
TOTAL DUE=		\$5,768.75
Hours	88.75	
less Oct. 20, 2004	-1.00	
Total Hours	87.75	= 5763.75

Report on Reaudit and Special Investigation of the
City of Webster City

Letter from the City Regarding Billings with Repeating Explanations



Report on Reaudit and Special Investigation of the
City of Webster City

Response Letter to City Regarding Billings with Repeating Explanations

The Energy Group

94 Easton Blvd.
Des Moines, Iowa 50317
515/564-1045
FAX: 515/564-1042

Key Acct. Mgmt. 1 hr. @ 65.00
601-23-53-5588-212 - 65.00
for Oct. 20, 2004 Service.

November 17, 2004

Ms. Karyl Bonjour
City of Webster City
P.O. Box 217
Webster City, Iowa 50595

Dear Ms. Bonjour:

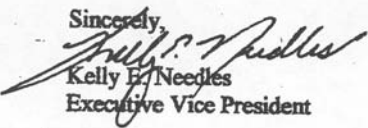
I received your recent communication concerning our October invoice to the City of Webster City. While I'm a little un-clear about why this matter is being questioned, I will do my best to clarify the line item on the invoice.

I checked my personal records and the call(s) that I received and placed on October 20, 2004 were related to making sure that Councilperson Gillette did indeed receive all that he needed from Craig Christensen when Councilperson Gillette called on his office in September. (Craig called me and I subsequently called him back). I simply answered the phone and returned the calls that were made to me and I did charge the City for this time spent. This chain of activity was created as a result of Councilperson Gillette calling on Corn Belt who directed him to Craig who served as the key account executive for Humboldt, Calhoun, Glidden, and Sac Counties. Initially, I believe that both Corn Belt and Craig tried to encourage Councilperson Gillette to just contact me directly but he chose to visit with Mr. Christensen while at the Corn Belt office.

It should also be noted that I did include this as part of the time that the City will be reimbursed from Corn Belt for. It is somewhat of a stretch of faith to have done so but the time spent (1 hour) was in dealing with the key account program while not necessarily on a key account issue such as is usually the case.

For future reference, Craig Christensen resigned his key account position effective Friday, November 3, 2004. ✓

I am willing to forego interest charges on the outstanding \$65.00 fee as a token of our good faith working relationship with the City of Webster City. It is my hope that this explanation serves as an adequate description of the activity that took place over the past two months but specifically on the 20th of October.

Sincerely,

Kelly E. Needles
Executive Vice President

**Reaudit and Special Investigation of the
City of Webster City**

Report on Reaudit and Special Investigation of the
City of Webster City

Letter to the City Regarding Issues Related to Billing Questions

The Energy Group

704 Easton Blvd.
Des Moines, Iowa 50317
515/564-1045
FAX: 515/564-1042

December 2, 2004

Ms. Teresa Rotschafer
City of Webster City
P.O. Box 217
Webster City, Iowa 50595

RE: Issues related to billing questions from The Energy Group Co., Inc.

Dear Teresa:

In response to your request to address issues raised in my meeting with Mr. Gray and Mr. Gillette. I would like to offer the following explanation:

Our firm, while very proficient and knowledgeable in the area of utility management, energy efficiency, and marketing, is not structured in a fashion to provide a high level of administrative oversight as part of our responsibilities for our clients. While this might sound a little contrary to our normal deliverables to our clients, the City of Webster City is our only municipal, cooperative, or investor-owned client who asks that we bill our time on an hourly basis and then also requires the level of detail that we have been asked to provide. The rather archaic system I have been using since last November to track my hours for your utility is nothing more than a Microsoft WORD document that I complete every month from notes that I have either written on note pads to myself or plugged into my PDA (personal Daily assistant). I'm pretty confident that this system works pretty well and is a good method to track time spent, it does not give me an easy way to include detailed explanations.

At the request of Mr. Gray and Mr. Gillette I have reviewed the available detail from our last several statements (June through October 2004) and I find nothing erroneous that I have billed you for that I did not do but rather I have identified a mathematical error of my own from June 2004 where I created an invoice totally \$8,503.75 when in fact we should have been paid \$812.50 more for a total of \$9,316.25. I think Mr. Gray and subsequently Kasie Doering also noticed this inadvertent error on my part.

I think that it goes to show that I need to tighten up my billing procedures a little bit and hopefully the new detail that I will work to include will address any questions that have come up.

Report on Reaudit and Special Investigation of the
City of Webster City

Letter to the City Regarding Issues Related to Billing Questions

In terms of further results of my analysis, I believe that it is safe to say that I can see why someone unfamiliar with this type of billing process might question, for example, some wording that matches exactly from month-to-month. Some of this is caused by the PDA that I use that when I type in the first word or two of the detail, it includes what it thinks I wish to include to finish the explanation. Most of the time, it is right and in the case of the following it would seem that I should have checked my records a little more closely however, the time spent on the customer's particular issues were justified. I have included a print out of my account manager program for the following activities and as you can see it reflects the entries directly from the ACT database (PDA) and the billing invoice statement.

8-16-04 Collette Bertran at Webster City Day Care

9-10-04 Collette Bertran at Webster City Day Care

It is true that I did go to the Webster City location but for two separate reasons.:

8-16-04 I met with Collette and some representatives of the ISU Extension Board of Directors to talk about the plans they were discussing to move into the space that Webster City Day Care has for rent. The issue of tenant improvements and how those would be financed was discussed and whether the local utility or Corn Belt would be able to offer any programming to assist them. I believe that is why I was asked to sit in on the meeting.

9-10-04 My notes from this date (pretty sketchy) indicate that I was trying to identify for Jeremy Estlund (local contractor who contacted me) how easy or difficult it would be to tie in the rental space with the geothermal heating and cooling loop used to provide HVAC for the day care space. While on site, I also reviewed a situation related to a water leach that they had experience in the heat pump loop above the ceiling tile in the northern-most or what I call the Head Start classroom. I also see that I made a trip to the mechanical room in the basement which would have required me to get a key from someone which would have either been Collette or another staff person. I do not believe that even though my bill indicates such that I really met with Collette but I did provide services that typically fall within the parameters of the key account program.

I would offer up a two-pronged solution and a level of explanation to hopefully satisfy the questions that have been raised:

1. I have worked out a new billing statement that I will provide with my hours for the month of November. While November was still a month when I was taking notes from my old record-keeping system, I think you will notice a more detailed level of explanation on the statement and I've also begun to break my billable hours down into 1/10 of an hour increments in order to be more precise. I have included my November statement for your review but I will also send the original through the normal channels that I usually follow (Karyl Bonjour in the utility office).

Report on Reaudit and Special Investigation of the
City of Webster City

Letter to the City Regarding Issues Related to Billing Questions

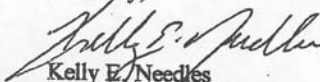
2. I have secured a new personal calendar, in lieu of the automated PDA (personal daily assistant) that I had been using to schedule appointments, etc. I will try to track my activities in a more detailed fashion which likely will be easier in a hardcopy paper form rather than the electronic form which made it difficult for me to provide all of the detail I needed to provide. An example of the pages that I will be using to track my time is also included.

I am open and willing to work through these issues and hopefully we can agree to a satisfactory resolution. Due to the nature of the inquiry I have had to, however, contact our legal counsel and suggested to him that a communication be drafted to the City and City Council members to remind you of the severity of the allegations and potential repercussions of any public discussion pertaining to this issue.

The relationship between our company and your local government/utility and its partners has been prosperous to both The Energy Group and the City of Webster City. I hope we can work towards a mutual agreement that can continue to add value for the rate payers and customers served by your utility. I deeply regret any confusion that has been created and welcome any constructive advice you can give.

Please let me know if I can provide anything further to assist you. Please feel free to contact me if you have any questions.

Sincerely,


Kelly E. Needles
Executive Vice President

Report on Reaudit and Special Investigation of the
City of Webster City

Memo to Mayor and Council from City Manager
Regarding Billing Concerns

M E M O

TO: Mayor and City Council

FROM: Teresa Rotschafer
City Manager

DATE: December 5, 2004

RE: The Energy Group Billing

My understanding of the meeting which took place last week with Councilman Gillette, Mayor Gray, Kasie Doering, and Kelly Needles was the need for additional detail and explanation regarding The Energy Group billings. I have received a letter with numerous attachments from Kelly Needles and I have also received a memo from Kasie regarding the meeting.

I have had individual conversations with Councilmen Bergeson and Foster, along with Mayor Gray regarding the meeting which took place. I believe Councilman Bergeson will be making a statement at the upcoming council meeting and Councilman Foster asked that I provide written follow up on this issue.

I have reviewed The Energy Group's bills from June through November and compared the billings to my report I send to the Council regarding my meetings. Ann Smith records the meetings I have each day and this is fairly reliable. The only time a meeting may be missed would be if Ann is away from her desk and I forget to tell her someone came to see me.

The only discrepancies found were meetings not recorded or billed to the City by The Energy Group or a meeting held and recorded on different days.

Meetings I have recorded which were not billed to the City:

June 1 - Evening Meeting - Phil Voge, Kelly - pre-meeting for special Gas
Commission meeting

June 7 - Meeting with Kelly
City Attorney Gary Groves, Kelly

June 16 - Phil Voge, Kelly - Gas Commission

Report on Reaudit and Special Investigation of the
City of Webster City

Memo to Mayor and Council from City Manager
Regarding Billing Concerns

Memo to Mayor and City Council
RE: Energy Group Billing
December 5, 2004

- June 16 – Vicki, Kelly regarding customer complaint
- June 17 – Meeting – Gas Commission Negotiating Team
 - Ken, Kelly
- June 21 – Vicki, Kelly, meeting on Judy Peters question – high water bill due to water leak; also conference call with Judy Peters
- June 22 – Phil Voge, Kelly – regarding gas questions
- June 29 – Kelly

- July 7 - Kasie, Kelly – Electrolux
- July 13 - Vicki, Kelly – Electric Rates/Corn Belt Update
- July 14 - Vicki, Kelly – Electric Rates
 - Karla, Kelly – Economic Development
- July 15 - Karla, Kelly – Economic Development
 - Brian Stroner, Kelly – Gas

- August 16 – Kelly
 - Phil Voge, Kelly – pre-Gas Commission meeting
 - Natural Gas Utility Commission meeting
- August 18 – Gary Groves, Kelly – Natural Gas

- Sept. 1 - Kelly & Vicki Smith – Electrical Issues
- Sept. 3 – Kelly – Key Account Report
- Sept. 9 – Jennifer, Karla, Kelly – SEED, ABI, Economic Development
- Sept. 13 – Councilman Gillette, Kelly (electric)
- Sept. 20 – Gary Groves, Kelly re: gas negotiations
 - Attorneys Gary Groves, Mike May; Kelly re: gas negotiations

- Oct. 13 - City Attorney Gary Groves, Kelly re: Gas Commission – franchise update

- Nov. 2 - Ken, Vicki, Kelly re: electric
 - Electric Utility Commission meeting Councilmen Bergeson, Foster and Kelly
- Nov. 10 - Gary Grove, Kelly re: Gas commission
- Nov. 17 – Vicki, Kasie, Ken, Kelly re: electric information requested by Stanley Consultants for Cost of Service Study
 - Gary Groves, Kelly re: Gas commission
- Nov. 19 - Kasie, Kelly – Audit Report
- Nov. 29 – Kelly Needles – Natural Gas Issue

Report on Reaudit and Special Investigation of the
City of Webster City

Memo to Mayor and Council from City Manager
Regarding Billing Concerns

Memo to Mayor and City Council
RE: Energy Group Billing
December 5, 2004

Meetings which we have recorded on different days:

- 1) Corn Belt – regarding Arrow Acme
Arrow Acme Executives from out of state
Councilman Foster, Gillette
At Arrow Acme with Jim Sharkey and executives

I recorded these meetings for June 2nd – The Energy Group billed them on June 3rd

- 2) Kelly, Kasie – Electric/Financial

I recorded this meeting for September 9th – The Energy Group billed this as an Update meeting with Teresa Rotschafer and Kasie Doering on September 6th.

- 3) The Energy Group recorded a meeting with me on Seneca Foundry Rate for October 7th. This was actually a phone call to discuss this issue because I was in Dubuque at a meeting, but we did have to talk about Seneca.

- 4) Councilmen Bergeson, Foster, Kelly: re: Arrow-Acme
Councilman Jackson, Kelly re: Arrow Acme
Mayor Gray, Councilman Gillette, Kelly re: Arrow-Acme

I have these meetings for October 12th – The Energy Group billed them on October 18th.

- 5) Meeting at Arrow Acme with Kelly re: Loan and grant for their addition

I have this meeting for October 13th - The Energy Group billed it on October 18th

- 6) Kasie, Kelly – Audit report
Electric Utility Committee meeting

I have this meeting for November 23rd – The Energy Group billed it on November 22nd.

Report on Reaudit and Special Investigation of the
City of Webster City

Memo to Mayor and Council from City Manager
Regarding Billing Concerns

Memo to Mayor and City Council
RE: Energy Group Billing
December 5, 2004

The only item on any of these bills which I do not have recorded were the meetings on September 29th. Even though these were not recorded on that date, I know we met about the workshop Kelly had attended and I know he gave the software from the meeting to either Kasie or Ken. Therefore, I believe we were in error in not recording this meeting not The Energy Group billing us in error.

I am very concerned that the services of The Energy Group (Kelly Needles) continues to be questioned. Kelly has done nothing which should create the apparent mistrust by the City. As you can see, the only errors in billing have been to the advantage of the City and the disadvantage to The Energy Group. We had recorded 34 meetings on 24 different dates from June through November of this year which were not included in the billing from The Energy Group and I am confident the City has always received more service from The Energy Group than they bill us for. The other consultants and attorneys which provide professional services for the City charge for such things as mileage; copies; postage; phone calls; etc., The Energy Group has never charged us for these things.

The City has had the benefit of utilizing an expert in the utility industry at a minimal cost to the utility. I have previously provided the Council with numerous documents justifying and explaining the services and costs for using The Energy Group. We could not have received these services any more efficiently than we have been.

I had previously cautioned the Mayor about a councilman making allegations and the Mayor had asked that I talk to the City Attorney. I again caution the Council. As stated in the letter from The Energy Group (attached): *"Due to the nature of the inquiry I have had to, however, contact our legal counsel and suggested to him that a communication be drafted to the City and City Council members to remind you of the severity of the allegations and potential repercussions of any public discussion pertaining to this issue."* At this time, I have not received any correspondence from an attorney. If I do get some, I will forward it immediately to the Council.

Attachments

**Reaudit and Special Investigation of the
City of Webster City**

Report on Reaudit and Special Investigation of the
City of Webster City

E-Mail Regarding Arrangements with Highland Resources

CONFIDENTIAL

Kelly Needles

From: Kelly Needles [kellyneedles@theenergygroup.biz]
Sent: Thursday, July 28, 2005 7:11 AM
To: wcteresa@webstercity.com; wckasie@webstercity.com
Subject: Highland Resources.....

I found some old notes from meetings we had with John Hostetler. According to my notes the discussion centered around needing to get cost-of-service evaluations done for all city services that could be fully supported by a fee structure rather than property taxes. Specifically items mentioned were cemetery burial services, midget league athletics, but the most publicly debated was the swimming pool. I believe that the closure of the pool early, etc. were action steps taken by the council as a direct result of the cost of service analysis that city staff undertook.

My notes indicate that Mayor Hostetler was comfortable allowing our firm to take the lead and continue working as we usually do, billing by the hour. We were asked to make certain that our hours were clearly defined as work outside of the key account program but billed on an hourly basis.

I do not show clear notes nor do I find specific e-mails between Brian Fitzpatrick and myself but the fact of the matter is that I elected to use Brian to provide these services for the water and sewer utilities for a little over an amount defined as "not to exceed \$25,000.00". Our company records indicate this as a subcontract relationship and our accountant, McGladrey, Inc. recorded the following transactions between our two companies as sub-contracting work.

March 22	check 6043	Highland Resources	\$ 2,035.00
April 11	check 6062	Highland Resources	\$ 1,686.85
May 29	check 6116	Highland Resources	\$ 7,245.00
June 27	check 6171	Highland Resources	\$ 4,500.00
July 31	check 6230	Highland Resources	\$ 4,533.51
		Total	\$20,000.36

I would be happy to provide you with further documentation if you feel it is necessary. I suspect that the remaining dollars paid to our firm above what was paid to Highland Resources would have been for time spend by myself and/or my staff assisting your department heads on the specific cost-of-service of those areas outlined above.

Just a quick additional note.....I do see where Mayor Hostetler seemed to indicate in a January meeting, that followed up a budget meeting, that the electric utility had the funds to pay for the cost of service for all of the city departments.

Kelly

p.s. I'll try to locate copies of cancelled check paid to Highland Resources. Not sure why I would go to this extra work but I'll do it just to prove the dollars were paid to them.

Report on Reaudit and Special Investigation of the
City of Webster City

Memo to Mayor and Council Regarding Cost-of-Service Studies

CONFIDENTIAL

MEMO

TO: Mayor and City Council
FROM: Teresa Rotschafer
City Manager
DATE: July 27, 2005
RE: Water and Waste Water

The Mayor and Councilman Gillette have asked questions regarding the water and wastewater cost of service studies and rate studies. The cost of service studies were completed in April and May of 2003, prior to Councilmen Gillette and Foster's terms. The rate studies were completed in late 2004, under this current Council's terms, and resulted in rate changes in March of 2005. The following is an excerpt from a recent e-mail from Councilman Gillette.

The sudden jump in sewer rates is still bothersome to me. Was it because of poor planning or incorrect information. I see we paid the energy group in 2002-2003 and 2003-2004, \$37,440 for water and waste water cost of service. We then pay the Ames engineer \$14000 in 2005 and find we are in trouble. Red flag

Staff is making the assumption by these comments that the funds paid to The Energy Group, (which sub-contracted work to Highland Resources, Brian Fitzpatrick, former Finance Director who resigned in January 2003) provided us with "incorrect" information or we would not have raised rates in 2005. Here's some history:

WATER

History of Water Rates:

- Rates were changed in June 1992
- Rates were changed in July 1994
- Rates were changed in June 2000
- Rates were changed in June 2001
- Rates were changed in March 2005

The March 2005 rate change was done as a restructuring of the rate charges based on Brian's suggestion in the study and Greg's methodology for allocating the budgeted costs. This latest rate change was not made to generate more revenue.

Report on Reaudit and Special Investigation of the
City of Webster City

Memo to Mayor and Council Regarding Cost-of-Service Studies

CONFIDENTIAL

SEWER

Sewer Rates:

Rates were changed in March 1993.
Rates were changed in July 1995.
Rates were changed in April 1996.
Rates were changed in January 2000.
Rates were changed in September 2001.
Rates were changed in March 2005.

Sewer Bond Parity Requirements:

2002 – We did not meet parity requirements
2003 – We did meet parity (capital project spending was frozen with re-invention Iowa, otherwise we would not have met parity)
2004 – We did not meet parity requirements and rate changes were suggested in audit

History of Sewer Utility Fund Balances:

1998	\$2,017,374
1999	\$2,260,257
2000	\$2,576,537
2001	\$1,970,671
2002	\$1,714,835
2003	\$1,627,975
2004	\$1,230,781

information from slides during budget presentations in January 2003 –

"Priority should be placed on analysis of cost-of-service of water and sewer utilities."

"Sewer Utility Fund Cash Analysis Ending Fund Balance as a % of Operating Revenue + Interest

- FY 00-01 47%
- FY 01-02 37%
- FY 02-03 28%
- FY 03-04 18%
- FY 04-05 10%
- FY 05-06 18% (with rate change)
- FY 06-07 26%
- FY 07-08 30%

The rate study by Bolton and Menk did not tell us "we are in trouble". We obviously knew this.

Report on Reaudit and Special Investigation of the
City of Webster City

Memo to Mayor and Council Regarding Cost-of-Service Studies

CONFIDENTIAL

We knew this when we asked Brian and Kelly to complete the cost of service studies. The Mayor was in on Monday and told me he was upset about these studies and that he had never seen them. I have enclosed copies for you. These studies were to be a tool for management to assess the cost effectiveness and efficiencies of operations in the water and wastewater utilities. If you question why copies were not distributed, I do not know how useful this information is to the Council – it was designed to be a tool for management. As you will read, we are using the information as a benchmark as we track the cost-effective delivery of services. An electronic version of the report will allow Kasie to continue to input data and track the expenses. This information could be helpful in the upcoming budget sessions.

Brian suggested: "Management should consider changing its pricing structure by shifting from an almost complete focus on per unit charges for sewer sales to a system that recoups actual or budgeted costs of identifiable services from fees." This is what we asked Greg Sindt to design for us and he did so. His design and rate proposals rely on the budget we set. Tracking our information will help us as we want to make sure we are budgeting and operating efficiently because if the budgeting is wrong the rates are wrong.

In other words, the two studies are meant to compliment each other.

The second assumption was made by staff in the letter sent to the Hamilton County Taxpayers Association dated February 5th. Pat and Kasie created a spread sheet of month to month expenses for The Energy Group stating the amounts for the Cost of Service Study and the distribution of such funds to Highland Resources. Kasie pulled out the invoices from The Energy Group and they state "Cost of Services Study". The total amount paid was \$37,440.00 between February and July 2003. The Mayor wanted copies of the cancelled checks The Energy Group paid to Highland Resources. I have attached an e-mail I received and the supporting documents and you will note that funds were sent to Highland Resources and funds were retained by The Energy Group for their portion of the work. The payments to Bolton & Menk, Inc. totaled \$13,725.45.

The third assumption seems to be that staff nor I can no longer discuss an issue with Councilmen or the Mayor and proceed with some action without formal contracts, documents, or everything in writing, even though the discussion about the need took place during budget sessions and was included in the budget. There were no formal contracts drawn between any of these professional service providers. Nothing was spent that was not budgeted. No bills or payments hid or disguised that we were paying for cost of service or rate work.

Report on Reaudit and Special Investigation of the
City of Webster City

Memo to Mayor and Council Regarding Cost-of-Service Studies

CONFIDENTIAL

If you believe the combined costs for the service study and rate study are too much, I'm not sure what to say. We asked for a service and it was performed. Kelly's rate has always been \$65.00/hour and I believe Brian's rate was \$50.00/hour. Greg's rate was \$150.00 for the professional engineer and \$48.00/hour for clerical. We received the studies and assistance on site from each of these individuals. Brian had been a trusted employee who already knew our accounting system. The Energy Group (Kelly) was a trusted utility management advisor for the City. Greg had been intricately involved in the waste water plant renovation. There were no red flags to staff stopping us from getting the assistance we needed from professionals we relied on.

Re-invention Iowa struck at this same time and we were trying to figure out ways to justify fees for programs and such. Kelly and Brian came and met with the Staff and Directors. Kelly spent time at Fuller Hall, the Cemetery, City Hall and various places helping the staff with what the Council sees now at budget time regarding the true cost of the programs and services we offer. Whether the current Council believes in this type of approach I cannot say. However, in November, December, January, February of 2002 and 2003 we were trying whatever we could to make sure we are offering services and programs to everyone fairly and if these programs and services are subsidized by taxes or utilities we can tell you by how much.

If you focus only on the water and wastewater utilities (even though assistance was given in other areas of the city) and divided the costs equally, we spent approximately \$25,585 dollars on each utility to create a management tool to better analyze the cost effectiveness of the operations of the utilities and to develop and implement a new rate structure for both utilities. That is an approximate one time costs of 2.4% in the overall operation of the water utility and 3.8% in the waste water utility.

I apologize for not distributing copies of Brian's study and they are included now; no one was trying to hide anything and we were only trying to do things to help us in the future. Nothing illegal was done. If the current full Council wants us to handle things differently in the future, we just need that formal direction.

Enclosures:

Webster City Sewer Utility Cost of Service Study
Webster City Water Utility Cost of Service Study
E-mail with attachments from Kelly

Report on Reaudit and Special Investigation of the
City of Webster City

Memo to Mayor and Council Regarding Procurement of Services

MEMO

TO: Mayor and City Council

FROM: Teresa Rotschafer
City Manager

DATE: August 26, 2005

RE: Procurement of Services

I sent a memo to you on July 27th regarding the water and waste water studies completed in 2003. While the majority of the Council does not seem to have an issue with the particular studies which were completed, I believe that one or two of you may still have a problem with this.

I am assuming the issue is not necessarily the studies themselves. The studies were completed and provided professional helpful information for that time period and into the future. Budget was provided during amendments and copies from Kasie are included. Payments were made for the services through the normal bills allowed process with City Council approval and attached are copies of the invoice registers which were sent to the City Council in the Council packets at that time. Stated in the description of invoices paid to The Energy Group is *Cost of Service Study*.

I am assuming the issue is that there was not a formal contract entered into between Highland Resources, The Energy Group, and the City. There are and have been a number of occasions in which we seek professional or contractual services without formal agreements and Council approval as long as budget was provided. Kasie has provided me with list of examples, and here are just a few:

FY 04-05	Tree trimming – Line Clearance	Wright Tree Svc.	\$37,457.92
FY 04-05	Tree trimming – Line & Street Clearance & Stump Removal	Frye's Tree Svc.	\$20,490.25
FY 04-05	Sewer & Water Rates & Ordinance	Bolton & Menk, Svc	\$13,725.45
FY 03-04	Tree trimming – Line & Street Clearance & Stump Removal	Frye's Tree Svc.	\$56,723.00
FY 03-04	Bond Process & Continued Disclosure	Springsted	\$11,847.41
FY 04-05	Engineering Services (not Public Improvement projects)	Schlotfeldt Eng.	\$27,950.75
FY 03-04	Engineering Services (not Public Improvement projects)	Schlotfeldt Eng.	\$25,142.80
FY 02-03	Sand Blast & Epoxy Clarifier	Heg Painting	\$45,989.15
To date	Reisner Substation Engineering	P & E Engineering	\$12,581.96

Report on Reaudit and Special Investigation of the
City of Webster City

Memo to Mayor and Council Regarding Procurement of Services

Memo to Mayor and City Council
From Teresa Rotschafer, City Manager
August 26, 2005
Page Two

This has been a normal practice for the City for a long time. In reviewing some of these instances, it appears that the formal agreements, with Council action, are driven by the provider of the professional service. If they have requested Council authorization, we present the information to the Council.

Again, I cannot change the past and I do not believe anything was done by staff willfully, maliciously, or in violation of any laws or policies we currently have. These services and practices have never been mentioned in our audits as questionable practices.

However, to try and rectify any future problems or misunderstandings of our authority, there was a suggestion made that a policy could be drafted for the procurement of services. I made a request over the City Manager Grapevine and received two sample policies. The City of Ames and the City of Dubuque have such policies. I have enclosed copies for your review.

We will be happy to draft a policy for Council consideration. Please let me know what portions of either example you like or do not like, or if there is something additional or different you have in mind. Please let me know as soon as possible your thoughts, so we can place this issue behind us.

Attachments:

- Budget Amendment Information
- Invoice Registers
- Sample Policies